

**AMENDMENT NO. 516**

**Calendar No. 42**

**Purpose:** To substitute the language of S. 1 as amended by the Committee on Finance.

**IN THE SENATE OF THE UNITED STATES—98th Cong., 1st Sess.**

**H. R. 1900**

To assure the solvency of the Social Security Trust Funds, to reform the medicare reimbursement of hospitals, to extend the Federal supplemental compensation program, and for other purposes.

March 16 (legislative day, March 14), 1983

Ordered to be printed

Proposed by Mr. DOLE

Viz: Strike out all after the enacting clause and insert in lieu thereof the following:

## 2

3

4

1983".

*Sec. 1. Short title.*

### Part A—Changes in Coverage

*Sec. 101. Coverage of newly hired Federal employees.*

*Sec. 102. Coverage of employees of nonprofit organizations.*

*Sec. 103. Duration of agreement for coverage of State and local employees.*

*Sec. 104. Exclusion of services performed by members of certain religious sects.*

*Sec. 111. Shift of cost-of-living adjustments to calendar year basis.*

*Sec. 112. Elimination of windfall benefits for persons with pensions from noncovered employment.*

*Sec. 113. Benefits for divorced or disabled widow or widower who remarries.*

*Sec. 114. Change in indexing for deferred survivor benefits.*

*Sec. 115. Benefits for divorced spouse regardless of whether former spouse has retired.*

*Sec. 116. Increase in benefit amount for disabled widows and widowers.*

*Sec. 117. Adjustment to cost-of-living increase when trust fund ratio falls below 20 percent.*

*Sec. 118. Increase in old-age insurance benefit amounts on account of delayed retirement.*

*Sec. 119. Increase in retirement age.*

*Sec. 120. Adjustments to OASDI benefit formula.*

*Sec. 121. Phaseout of earnings limitation for beneficiaries who have attained retirement age.*

*Sec. 122. Increase in dropout years for time spent in child care.*

*Sec. 123. Limitation on payments to prisoners.*

*Sec. 124. Limitations on payments to nonresident aliens.*

*Sec. 125. Reduction of cost-of-living increase if trust funds ratio is below 20 per cent and declining.*

*Sec. 131. Taxation of Social Security and tier 1 railroad retirement benefits.*

*Sec. 132. Acceleration of increases in FICA taxes; 1984 employee tax credit.*

*Sec. 133. Taxes on self-employment income; credit against such taxes.*

PART D—MISCELLANEOUS FINANCING PROVISIONS

- Sec. 141. Allocation to Disability Insurance Trust Fund.*
- Sec. 142. Interfund borrowing extension.*
- Sec. 143. Crediting amounts of unnegotiated checks to trust funds.*
- Sec. 144. Transfer to trust funds for costs of benefits attributable to military service before 1957.*
- Sec. 145. Payment to trust funds of amounts equivalent to taxes on service in the uniformed services performed after 1956.*
- Sec. 146. Trust fund investment procedure.*
- Sec. 147. Addition of public members to trust fund board of trustees.*
- Sec. 148. Payment schedule by State and local governments.*
- Sec. 149. Normalized crediting of social security taxes to trust funds.*
- Sec. 150. Amounts received under certain deferred compensation and salary reduction arrangements treated as wages for FICA taxes.*
- Sec. 151. Codification of Rowan decision with respect to meals and lodging.*
- Sec. 152. Treatment of contributions under simplified employee pensions.*

TITLE II—SUPPLEMENTAL SECURITY INCOME

- Sec. 201. Increase in benefit standard.*
- Sec. 202. Adjustments in Federal SSI pass-through provisions.*
- Sec. 203. Notification with respect to SSI program.*

TITLE III—MEDICARE

- Sec. 301. Medicare payments for inpatient hospital services on the basis of prospective rates.*
- Sec. 302. Conforming amendments.*
- Sec. 303. Reports, experiments, and demonstration projects.*
- Sec. 304. Effective dates.*
- Sec. 305. Delay in provision relating to hospital-based skilled nursing facilities.*
- Sec. 306. Shift in part B premium to coincide with cost-of-living increase.*
- Sec. 307. Shift in voluntary part A premium to coincide with cost-of-living increase.*

TITLE IV—UNEMPLOYMENT COMPENSATION

PART A—FEDERAL SUPPLEMENTAL COMPENSATION

- Sec. 401. Extension of program.*
- Sec. 402. Number of weeks for which compensation payable.*
- Sec. 403. Effective date.*

PART B—PROVISIONS RELATING TO INTEREST AND CREDIT REDUCTIONS

- Sec. 411. Deferral of interest.*
- Sec. 412. Cap on credit reduction.*
- Sec. 413. Average employer contribution rate.*
- Sec. 414. Date for payment of interest.*
- Sec. 415. Recoupment of interest.*

PART C—MISCELLANEOUS PROVISIONS

- Sec. 421. Treatment of employees providing services to educational institutions.*
- Sec. 422. Extended benefits for individuals who are hospitalized or on jury duty.*

*TITLE I—SOCIAL SECURITY*

*PART A—CHANGES IN COVERAGE*

*COVERAGE OF NEWLY HIRED FEDERAL EMPLOYEES*

*SEC. 101. (a)(1) Section 210(a) of the Social Security Act is amended by striking out paragraphs (5) and (6) and inserting in lieu thereof the following:*

*“(5) Service performed in the employ of the United States or any instrumentality of the United States, if such service—*

*“(A) would not be included in the term ‘employment’ for purposes of this subsection by reason of the provisions of paragraph (5) or (6) of this subsection as in effect on January 1, 1983, and*

*“(B) is performed by an individual who has been continuously in the employ of the United States or an instrumentality thereof (including, solely for purposes of this paragraph, the receipt of benefits under the Civil Service Retirement and Disability Fund, or any other benefits (based upon service as an employee) under another retirement system established by a law of the United States for employees of the Federal Government or members of the Uniformed Services as being ‘in the employ’ of the United States) since*



1       *December 31, 1983 (and for this purpose an indi-*  
2       *vidual who returns to the performance of such*  
3       *service after a separation from such service shall*  
4       *nevertheless be considered upon such return as*  
5       *having been continuously in the employ of the*  
6       *United States or an instrumentality thereof, re-*  
7       *gardless of whether the period of such separation*  
8       *began before, on, or after December 31, 1983, if*  
9       *the period of such separation does not exceed 365*  
10      *days);*

11      *except that this paragraph shall not apply with respect*  
12      *to—*

13               *“(i) service performed as the President or*  
14               *Vice President of the United States,*

15               *“(ii) service performed as a Member, Dele-*  
16               *gate, or Resident Commissioner of or to the Con-*  
17               *gress,*

18               *“(iii) service performed as the Commissioner*  
19               *of Social Security, or*

20               *“(iv) any other service in the legislative*  
21               *branch of the Federal Government if such service*  
22               *is performed by an individual who, on December*  
23               *31, 1983, is not subject to subchapter III of chap-*  
24               *ter 83 of title 5, United States Code.*

1           “(6) Service performed in the employ of the  
2           United States or any instrumentality of the United  
3           States if such service is performed—

4                   “(A) in a penal institution of the United  
5                   States by an inmate thereof;

6                   “(B) by any individual as an employee in-  
7                   cluded under section 5351(2) of title 5, United  
8                   States Code (relating to certain interns, student  
9                   nurses, and other student employees of hospitals of  
10                  the Federal Government), other than as a medical  
11                  or dental intern or a medical or dental resident in  
12                  training; or

13                  “(C) by any individual as an employee serv-  
14                  ing on a temporary basis in case of fire, storm,  
15                  earthquake, flood, or other similar emergency;”.

16           (2) Section 210(p) of such Act is amended by striking  
17           out “provisions of—” and all that follows and inserting in  
18           lieu thereof “provisions of subsection (a)(5).”.

19           (b)(1) Section 3121(b) of the Internal Revenue Code of  
20           1954 is amended by striking out paragraphs (5) and (6) and  
21           inserting in lieu thereof the following:

22                   “(5) service performed in the employ of the  
23                   United States or any instrumentality of the United  
24                   States, if such service—

1           “(A) would not be included in the term ‘em-  
2           ployment’ for purposes of this subsection by  
3           reason of the provisions of paragraph (5) or (6) of  
4           this subsection as in effect on January 1, 1983,  
5           and

6           “(B) is performed by an individual who has  
7           been continuously in the employ of the United  
8           States or an instrumentality thereof (including,  
9           solely for purposes of this paragraph, the receipt  
10          of benefits under the Civil Service Retirement  
11          and Disability Fund, or any other benefits (based  
12          upon service as an employee) under another re-  
13          tirement system established by a law of the  
14          United States for employees of the Federal Gov-  
15          ernment or members of the Uniformed Services as  
16          being ‘in the employ’ of the United States) since  
17          December 31, 1983 (and for this purpose an indi-  
18          vidual who returns to the performance of such  
19          service after a separation from such service shall  
20          nevertheless be considered upon such return as  
21          having been continuously in the employ of the  
22          United States or an instrumentality thereof, re-  
23          gardless of whether the period of such separation  
24          began before, on, or after December 31, 1983, if

1           *the period of such separation does not exceed 365*  
2           *days);*

3           *except that this paragraph shall not apply with respect*  
4           *to—*

5                   “(i) *service performed as the President or*  
6                   *Vice President of the United States,*

7                   “(ii) *service performed as a Member, Dele-*  
8                   *gate, or Resident Commissioner of or to the Con-*  
9                   *gress,*

10                   “(iii) *service performed as the Commissioner*  
11                   *of Social Security, or*

12                   “(iv) *any other service in the legislative*  
13                   *branch of the Federal Government if such service*  
14                   *is performed by an individual who, on December*  
15                   *31, 1983, is not subject to subchapter III of chap-*  
16                   *ter 83 of title 5, United States Code;*

17                   “(6) *service performed in the employ of the*  
18                   *United States or any instrumentality of the United*  
19                   *States if such service is performed—*

20                           “(A) *in a penal institution of the United*  
21                           *States by an inmate thereof;*

22                           “(B) *by any individual as an employee in-*  
23                           *cluded under section 5351(2) of title 5, United*  
24                           *States Code (relating to certain interns, student*  
25                           *nurses, and other student employees of hospitals of*



1           the Federal Government), other than as a medical  
2           or dental intern or a medical or dental resident in  
3           training; or

4           “(C) by any individual as an employee serv-  
5           ing on a temporary basis in case of fire, storm,  
6           earthquake, flood, or other similar emergency;”.

7           (2) Section 3121(u)(1) of such Code is amended to read  
8 as follows:

9           “(1) IN GENERAL.—For purposes of the taxes  
10          imposed by sections 3101(b) and 3111(b), subsection  
11          (b) shall be applied without regard to paragraph (5)  
12          thereof.”.

13          (c) The amendments made by this section shall be effec-  
14 tive with respect to remuneration paid after December 31,  
15 1983.

16          (d) Nothing in this Act shall reduce the accrued entitle-  
17 ments to future benefits under the Federal Retirement  
18 System of current and retired Federal employees and their  
19 families.

20                   COVERAGE OF EMPLOYEES OF NONPROFIT

21                                   ORGANIZATIONS

22          SEC. 102. (a) Section 210(a)(8) of the Social Security  
23 Act is amended by striking out subparagraph (B) thereof and  
24 by striking out “(A)” after “(8)”.

1       (b)(1) Section 3121(b)(8) of the Internal Revenue Code  
2 of 1954 is amended by striking out subparagraph (B) thereof  
3 and by striking out “(A)” after “(8)”.

4       (2) Subsection (k) of section 3121 of such Code is re-  
5 pealed.

6       (c) The amendments made by this section shall be effec-  
7 tive with respect to remuneration paid after December 31,  
8 1983.

9       (d) Notwithstanding any provision of section 3121(k) of  
10 the Internal Revenue Code of 1954 (or any other provision of  
11 law) the period for which a certificate is in effect under such  
12 section may not be terminated on or after the date of the  
13 enactment of this Act.

14 DURATION OF AGREEMENT FOR COVERAGE OF STATE AND  
15 LOCAL EMPLOYEES

16       SEC. 103. (a) Subsection (g) of section 218 of the  
17 Social Security Act is amended to read as follows:

18                       “Duration of Agreement

19       “(g) No agreement under this section may be terminat-  
20 ed, in its entirety or with respect to any coverage group, on or  
21 after the date of the enactment of the Social Security Amend-  
22 ments of 1983.”.

23       (b) The amendment made by subsection (a) shall apply  
24 to any agreement in effect under section 218 of the Social  
25 Security Act on the date of the enactment of this Act, without

1 regard to whether a notice of termination was in effect on  
2 such date, and to any agreement or modification thereof  
3 which may become effective under such section 218 after that  
4 date.

5 *EXCLUSION OF SERVICES PERFORMED BY MEMBERS OF*  
6 *CERTAIN RELIGIOUS SECTS*

7 *SEC. 104. (a) Section 3121 of the Internal Revenue*  
8 *Code of 1954 is amended by adding at the end thereof the*  
9 *following new subsection:*

10 *“(v) MEMBERS OF CERTAIN RELIGIOUS FAITHS.—*

11 *“(1) EXEMPTION.—Any individual may file an*  
12 *application (in such form and manner, and with such*  
13 *official, as may be prescribed by regulations under this*  
14 *chapter) for an exemption from the tax imposed by this*  
15 *chapter with respect to wages paid to such individual*  
16 *by an employer who is exempt from the tax imposed*  
17 *under section 1401 by reason of an exemption granted*  
18 *under section 1402(g), if such individual is a member*  
19 *of a recognized religious sect or division thereof and is*  
20 *an adherent of established tenets or teachings of such*  
21 *sect or division by reason of which he is conscientious-*  
22 *ly opposed to acceptance of the benefits of any private*  
23 *or public insurance which makes payments in the*  
24 *event of death, disability, old-age, or retirement or*  
25 *makes payments toward the cost of, or provides services*

1       for, medical care (including the benefits of any insur-  
2       ance system established by the Social Security Act).  
3       Such exemption may be granted only if the application  
4       contains or is accompanied by—

5               “(A) such evidence of such individual’s  
6       membership in, and adherence to the tenets or  
7       teachings of the sect or division thereof as the  
8       Secretary may require for purposes of determin-  
9       ing such individual’s compliance with the preced-  
10      ing sentence, and

11              “(B) his waiver of all benefits and other  
12      payments under titles II and XVIII of the Social  
13      Security Act on the basis of his wages and self-  
14      employment income as well as all such benefits  
15      and other payments to him on the basis of the  
16      wages and self-employment income of any other  
17      person,

18      and only if the Secretary of Health and Human Serv-  
19      ices finds that—

20              “(i) such sect or division thereof has the es-  
21      tablished tenets or teachings referred to in the pre-  
22      ceding sentence,

23              “(ii) it is the practice, and has been for a  
24      period of time which he deems to be substantial,  
25      for members of such sect or division thereof to



1        *make provision for their dependent members*  
2        *which in his judgment is reasonable in view of*  
3        *their general level of living, and*

4                *“(iii) such sect or division thereof has been*  
5        *in existence at all times since December 31,*  
6        *1950.*

7        *An exemption may not be granted to any individual if*  
8        *any benefit or other payment referred to in subpara-*  
9        *graph (B) became payable (or, but for section 203 or*  
10       *222(b) of the Social Security Act, would have become*  
11       *payable) at or before the time of the filing of such*  
12       *waiver.*

13                *“(2) PERIOD FOR WHICH EXEMPTION EFFEC-*  
14       *TIVE.—An exemption granted to any individual pur-*  
15       *suant to this subsection shall apply with respect to all*  
16       *taxable years beginning after December 31, 1983,*  
17       *except that such exemption shall not apply for any cal-*  
18       *endar year—*

19                *“(A) beginning (i) before the calendar year*  
20       *in which such individual first met the require-*  
21       *ments of the first sentence of paragraph (1), or*  
22       *(ii) before the time as of which the Secretary of*  
23       *Health and Human Services finds that the sect or*  
24       *division thereof of which such individual is a*

1           *member met the requirements of clauses (i) and*  
2           *(ii) of paragraph (1), or*

3           *“(B) ending (i) after the time such individu-*  
4           *al ceases to meet the requirements of the first sen-*  
5           *tence of paragraph (1), or (ii) after the time as of*  
6           *which the Secretary of Health and Human Serv-*  
7           *ices finds that the sect or division thereof of which*  
8           *he is a member ceases to meet the requirements of*  
9           *clauses (i) and (ii) of paragraph (1).”.*

10       *(b) Section 210(a) of the Social Security Act is amend-*  
11       *ed—*

12           *(1) by striking out “or” at the end of paragraph*  
13       *(19);*

14           *(2) by striking out the period at the end of para-*  
15       *graph (20) and inserting in lieu thereof “; or”; and*

16           *(3) by adding at the end thereof the following new*  
17       *paragraph:*

18           *“(21) Service performed, in the employ of an em-*  
19       *ployer who is exempt from the tax imposed under sec-*  
20       *tion 1401 of the Internal Revenue Code of 1954 by*  
21       *reason of an exemption granted under section 1402(g)*  
22       *of such Code, by an individual with respect to whom*  
23       *an exemption has been granted (and is applicable)*  
24       *under section 3121(v) of such Code.”.*

1       (c) Section 3121(b) of the Internal Revenue Code of  
2 1954 is amended—

3           (1) by striking out “or” at the end of paragraph  
4 (19);

5           (2) by striking out the period at the end of para-  
6 graph (20) and inserting in lieu thereof “; or”; and

7           (3) by adding at the end thereof the following new  
8 paragraph:

9           “(21) service performed, in the employ of an em-  
10 ployer who is exempt from the tax imposed under sec-  
11 tion 1401 by reason of an exemption granted under  
12 section 1402(g), by an individual with respect to whom  
13 an exemption has been granted (and is applicable)  
14 under subsection (v) of this section.”.

15       (d) Section 202(v) of the Social Security Act is amend-  
16 ed by inserting “or 3121(v)” after “1402(g)” each place it  
17 appears.

18       (e) The amendments made by this section shall apply  
19 with respect to remuneration paid after December 31, 1983.

20                   PART B—CHANGES IN BENEFITS

21       SHIFT OF COST-OF-LIVING ADJUSTMENTS TO CALENDAR

22                               YEAR BASIS

23       SEC. 111. (a)(1) Section 215(i)(2)(A)(ii) of the Social  
24 Security Act is amended by striking out “June” and insert-  
25 ing in lieu thereof “December”.

1       (2) Section 215(i)(2)(A)(iii) of such Act is amended by  
2 striking out “May” and inserting in lieu thereof “Novem-  
3 ber”.

4       (3) Section 215(i)(2)(B) of such Act is amended by  
5 striking out “May” each place it appears and inserting in  
6 lieu thereof in each instance “November”.

7       (4) Section 203(f)(8)(A) of such Act is amended by  
8 striking out “June” and inserting in lieu thereof “Decem-  
9 ber”.

10       (5) Section 230(a) of such Act is amended by striking  
11 out “June” and inserting in lieu thereof “December”.

12       (6) Section 215(i)(2) of such Act as in effect in Decem-  
13 ber 1978, and as applied in certain cases under the provi-  
14 sions of such Act as in effect after December 1978, is amend-  
15 ed by striking out “June” in subparagraph (A)(ii) and in-  
16 serting in lieu thereof “December”, and by striking out  
17 “May” each place it appears in subparagraph (B) and in-  
18 serting in lieu thereof in each instance “November”.

19       (7) Section 202(m) of such Act (as it applies in certain  
20 cases by reason of section 2 of Public Law 97-123) is  
21 amended by striking out “May” and inserting in lieu thereof  
22 “November”.

23       (8) The amendments made by this subsection shall  
24 apply with respect to cost-of-living increases determined



1 under section 215(i) of the Social Security Act for years  
2 after 1982.

3 (b)(1) Section 215(i)(1)(A) of the Social Security Act  
4 is amended by striking out "March 31" and inserting in lieu  
5 thereof "September 30", and by striking out "1974" and  
6 inserting in lieu thereof "1982".

7 (2) Section 215(i)(1)(A) of such Act as in effect in De-  
8 cember 1978, and as applied in certain cases under the provi-  
9 sions of such Act as in effect after December 1978, is amend-  
10 ed by striking out "March 31" and inserting in lieu thereof  
11 "September 30".

12 (3) The amendments made by this subsection shall  
13 apply with respect to cost-of-living increases determined  
14 under section 215(i) of the Social Security Act for years  
15 after 1983.

16 (c) Section 215(i)(4) of such Act is amended by insert-  
17 ing "; and as amended by section 201 (a)(6) and (b)(2) of the  
18 Social Security Amendments of 1983," after "as in effect in  
19 December 1978".

20 (d) Notwithstanding any provision to the contrary in  
21 section 215(i) of the Social Security Act, the "base quarter"  
22 (as defined in paragraph (1)(A)(i) of such section) in the  
23 calendar year 1983 shall be a "cost-of-living computation  
24 quarter" within the meaning of paragraph (1)(B) of such sec-  
25 tion (and shall be deemed to have been determined by the

1 *Secretary of Health and Human Services to be a “cost-of-*  
 2 *living computation quarter” under paragraph (2)(A) of such*  
 3 *section) for all of the purposes of such Act as amended by this*  
 4 *section and by other provisions of this Act, without regard to*  
 5 *the extent by which the Consumer Price Index has increased*  
 6 *since the last prior cost-of-living computation quarter which*  
 7 *was established under such paragraph (1)(B).*

8 *ELIMINATION OF WINDFALL BENEFITS FOR INDIVIDUALS*

9 *RECEIVING PENSIONS FROM NONCOVERED EMPLOY-*  
 10 *MENT*

11 *SEC. 112. (a) Section 215(a) of the Social Security*  
 12 *Act is amended by adding at the end thereof the following*  
 13 *new paragraph:*

14 *“(7)(A) In the case of an individual who was not eligi-*  
 15 *ble for an old-age or disability insurance benefit for Decem-*  
 16 *ber 1983 and whose primary insurance amount would be*  
 17 *computed under paragraph (1) of this subsection, and who*  
 18 *first becomes eligible after 1983 to a monthly periodic pay-*  
 19 *ment (or a payment determined under subparagraph (D))*  
 20 *based (in whole or in part) upon his earnings for service*  
 21 *which did not constitute ‘employment’ as defined in section*  
 22 *210 for purposes of this title (hereafter in this paragraph and*  
 23 *in subsection (d)(5) referred to as ‘noncovered service’) of at*  
 24 *least one year’s duration, the primary insurance amount of*  
 25 *that individual during his entitlement to old-age or disability*

1 insurance benefits shall be computed or recomputed under  
2 subparagraph (B) with respect to the initial month in which  
3 the individual becomes eligible for such benefits, and shall be  
4 periodically recomputed thereafter at such times as the Secre-  
5 tary determines there has been a significant change in the  
6 amount of such periodic payment.

7       “(B)(ii) If paragraph (1) of this subsection would apply  
8 to that individual (except for subparagraph (A) of this para-  
9 graph), there shall first be computed an amount equal to the  
10 individual’s primary insurance amount under this subsection  
11 (other than this paragraph), except that for purposes of such  
12 computation the percentage of the individual’s average in-  
13 dexed monthly earnings established by subparagraph (A)(i)  
14 of paragraph (1) shall be the percent specified in clause (ii).  
15 There shall then be computed (without regard to this para-  
16 graph) a second amount, which shall be equal to the individ-  
17 ual’s primary insurance amount under this subsection (other  
18 than this paragraph), except that such second amount shall  
19 be reduced by an amount equal to the applicable fraction (as  
20 determined under subparagraph (E)) of the portion of the  
21 monthly periodic payment attributable to noncovered service  
22 to which the individual is entitled (or deemed to be entitled)  
23 for the month for which such old-age or disability insurance  
24 benefits are payable. For purposes of the preceding sentence,  
25 the portion of the monthly periodic payment attributable to

1 noncovered service shall be that portion of such payment  
2 which bears the same ratio to the amount of such payment as  
3 the number of months of service in noncovered service to  
4 which such benefit is attributable (but only counting any  
5 such months occurring after 1956) bears to the total number  
6 of months of service to which such benefit is attributable. The  
7 individual's primary insurance amount shall be the larger of  
8 the two amounts computed under this subparagraph (before  
9 the application of subsection (i)) and shall be deemed to be  
10 computed under paragraph (1) of this subsection for the pur-  
11 pose of applying other provisions of this title.

12       “(ii) For purposes of clause (i), the percent specified in  
13 this clause is—

14       “(I) 78.4 percent, with respect to individuals who  
15 initially become eligible for old age or disability insur-  
16 ance benefits, or who die (before becoming eligible for  
17 such benefits) in 1984;

18       “(II) 66.8 percent with respect to individuals who  
19 so become eligible or die in 1985;

20       “(III) 55.2 percent with respect to individuals  
21 who so become eligible or die in 1986;

22       “(IV) 43.6 percent with respect to individuals  
23 who so become eligible or die in 1987; and

24       “(V) 32.0 percent with respect to individuals who  
25 so become eligible or die in 1988 or thereafter.



1       “(C) No primary insurance amount may be reduced by  
2 reason of this paragraph below the amount of the primary  
3 insurance amount as determined under paragraph (1)(C)(i).

4       “(D)(i) Any periodic payment that otherwise meets the  
5 requirements of subparagraph (A), but which is paid on other  
6 than a monthly basis, shall be allocated on a basis equivalent  
7 to a monthly payment (as determined by the Secretary), and  
8 such equivalent monthly payment shall constitute a monthly  
9 periodic payment for purposes of this paragraph.

10       “(ii) In the case of an individual who has elected to  
11 receive a periodic payment that has been reduced so as to  
12 provide a survivors benefit to any other individual, the pay-  
13 ment is deemed to be increased (for the purpose of any com-  
14 putation under this paragraph) by such reduction.

15       “(iii) If an individual to whom subparagraph (A) ap-  
16 plies is eligible for a periodic payment beginning with a  
17 month that is subsequent to the month in which he becomes  
18 eligible for old-age or disability insurance benefits, the  
19 amount of that payment for purposes of subparagraph (B)  
20 shall be deemed to be the amount to which he is, or is deemed,  
21 to become entitled (subject to clauses (i), (ii), and (iv) of this  
22 subparagraph) in such subsequent month.

23       “(iv) For purposes of this subparagraph, the term ‘peri-  
24 odic payment’ includes a payment payable in a lump sum if  
25 it is a commutation of, or a substitute for, periodic payments.

1       “(E) For purposes of subparagraph (B), the applicable  
2 fraction is—

3               “(i) in the case of an individual who first becomes  
4 eligible during 1984 to a monthly periodic payment de-  
5 scribed in subparagraph (A), one-fifteenth,

6               “(ii) in the case of an individual who first be-  
7 comes eligible during 1985 to a monthly periodic pay-  
8 ment described in subparagraph (A), two-fifteenths,

9               “(iii) in the case of an individual who first be-  
10 comes eligible during 1986 to a monthly periodic pay-  
11 ment described in subparagraph (A), one-fifth,

12               “(iv) in the case of an individual who first be-  
13 comes eligible during 1987 to a monthly periodic pay-  
14 ment described in subparagraph (A), four-fifteenths,  
15 and

16               “(v) in the case of an individual who first be-  
17 comes eligible during 1988 or thereafter to a monthly  
18 periodic payment described in subparagraph (A), one-  
19 third.

20       “(F) This paragraph shall not apply in the case of an  
21 individual who has more than 30 years of coverage (as de-  
22 fined in paragraph (1)(C)(ii). In the case of an individual  
23 who has more than 24 years of coverage (as so defined), the  
24 figure ‘32 percent’ in subparagraph (B) shall, if larger, be  
25 deemed to be—

1           “(i) 90 percent, in the case of an individual who  
2       has 30 or more of such years of coverage;

3           “(ii) 80 percent, in the case of an individual who  
4       has 29 of such years;

5           “(iii) 70 percent, in the case of an individual who  
6       has 28 of such years;

7           “(iv) 60 percent, in the case of an individual who  
8       has 27 of such years;

9           “(v) 50 percent, in the case of an individual who  
10      has 26 of such years; and

11          “(vi) 40 percent, in the case of an individual who  
12      has 25 of such years.”.

13       (b) Section 215(d) of such Act is amended by adding at  
14   the end thereof the following new paragraph:

15       “(5)(A) In the case of an individual who was not eligi-  
16   ble for an old-age or disability insurance benefit for Decem-  
17   ber 1983 and whose primary insurance amount is not com-  
18   puted under paragraph (1) of subsection (a) by reason of  
19   paragraph (4)(B)(ii) of that subsection, and who first be-  
20   comes eligible after 1983 to a monthly periodic payment (or a  
21   payment determined under subsection (a)(7)(D)) based (in  
22   whole or in part) upon his earnings in noncovered service of  
23   at least one year’s duration, his primary insurance amount  
24   for purposes of his entitlement to old-age or disability insur-  
25   ance benefits shall be the primary insurance amount comput-

1 *ed or recomputed under this subsection (without regard to*  
2 *this paragraph and before the application of subsection (i))*  
3 *reduced by an amount equal to the smaller of—*

4           “(i) *one-half of the primary insurance amount*  
5           *(computed without regard to this paragraph and before*  
6           *the application of subsection (i)), or*

7           “(ii) *the applicable fraction (as determined under*  
8           *subparagraph (B)) of the portion of the monthly peri-*  
9           *odic payment (or payment determined under subsection*  
10           *(a)(7)(D)) attributable to noncovered service to which*  
11           *that individual is entitled (or deemed to be entitled) for*  
12           *the initial month of his eligibility for old-age or dis-*  
13           *ability insurance benefits.*

14 *For purposes of the preceding sentence, the portion of the*  
15 *monthly periodic payment attributable to noncovered service*  
16 *shall be that portion of such payment which bears the same*  
17 *ratio to the amount of such payment as the number of months*  
18 *of service in noncovered service to which such benefit is at-*  
19 *tributable bears to the total number of months of service to*  
20 *which such benefit is attributable. The amount of such peri-*  
21 *odic payment for purposes of clause (ii) shall be periodically*  
22 *recomputed at such times as the Secretary determines there*  
23 *has been a significant change in the amount of such periodic*  
24 *payment.*



1       “(B) For purposes of subparagraph (A), the applicable  
2 fraction is—

3               “(i) in the case of an individual who first becomes  
4 eligible during 1984 to a monthly periodic payment de-  
5 scribed in subparagraph (A), one-fifteenth,

6               “(ii) in the case of an individual who first be-  
7 comes eligible during 1985 to a monthly periodic pay-  
8 ment described in subparagraph (A), two-fifteenths,

9               “(iii) in the case of an individual who first be-  
10 comes eligible during 1986 to a monthly periodic pay-  
11 ment described in subparagraph (A), one-fifth,

12               “(iv) in the case of an individual who first be-  
13 comes eligible during 1987 to a monthly periodic pay-  
14 ment described in subparagraph (A), four-fifteenths,  
15 and

16               “(v) in the case of an individual who first be-  
17 comes eligible during 1988 or thereafter to a monthly  
18 periodic payment described in subparagraph (A), one-  
19 third.”.

20       “(C) No primary insurance amount may be reduced by  
21 reason of this paragraph below the amount of the primary  
22 insurance amount as determined under subsection  
23 (a)(1)(C)(i).”.

24       (c) Section 215(f) of such Act is amended by adding at  
25 the end the following new paragraph:

1       “(9)(A) In the case of an individual who first becomes  
2 eligible for a periodic payment determined under subsection  
3 (a)(7)(A) or (a)(7)(D) in a month subsequent to the first  
4 month in which he becomes eligible for an old-age or disabil-  
5 ity insurance benefit, and whose primary insurance amount  
6 has been computed without regard to either such subsection or  
7 subsection (d)(5), such individual’s primary insurance  
8 amount shall be recomputed, in accordance with either such  
9 subsection or subsection (d)(5), as may be applicable, effec-  
10 tive with the first month of his concurrent eligibility for  
11 either such benefit and such periodic payment.

12       “(B) If an individual’s primary insurance amount has  
13 been computed under subsection (a)(7) or (d)(5), and it be-  
14 comes necessary to recompute that primary insurance  
15 amount under this subsection—

16               “(i) so as to increase the monthly benefit amount  
17 payable with respect to such primary insurance  
18 amount (other than in the case of the individual’s  
19 death), such increase shall be determined as though  
20 such primary insurance amount had initially been  
21 computed without regard to subsection (a)(7) or (d)(5),  
22 or

23               “(ii) by reason of the individual’s death, such pri-  
24 mary insurance amount shall be recomputed without

regard to (and as though it had never been computed with regard to) subsection (a)(7) or (d)(5).

“(C) In the case of any individual whose primary insurance amount is subject to the requirements of subsection (a)(7) or (d)(5), the amount of such primary insurance amount shall be recomputed as may be required under such subsections by reason of a significant change in the amount of the relevant periodic payment.”.

(d) Sections 202(e)(2)(B)(i) and 202(f)(3)(B)(i) of such Act are each amended by striking out “section 215(f)(5) or (6)” and inserting in lieu thereof “section 215(f)(5), 215(f)(6), or 215(f)(9)(B)”.

#### BENEFITS FOR SURVIVING DIVORCED SPOUSES AND

#### DISABLED WIDOWS AND WIDOWERS WHO REMARRY

SEC. 113. (a)(1) Section 202(e)(3) of the Social Security Act is repealed.

(2) Section 202(e)(4) of such Act is amended to read as follows:

“(4) For purposes of paragraph (1), if—

“(A) a widow or a surviving divorced wife marries after attaining age 60, or

“(B) a disabled widow or disabled surviving divorced wife described in paragraph (1)(B)(ii) marries after attaining age 50,

such marriage shall be deemed not to have occurred.”.

1       (b)(1) Section 202(f)(4) of such Act is repealed.

2       (2) Section 202(f)(5) of such Act is amended to read as  
3 follows:

4       “(5) For purposes of paragraph (1), if—

5               “(A) a widower marries after attaining age 60, or

6               “(B) a disabled widower described in paragraph

7       (1)(B)(ii) marries after attaining age 50,

8 such marriage shall be deemed not to have occurred.”.

9       (c)(1) The amendments made by subsection (a) shall be  
10 effective with respect to monthly benefits payable under title  
11 II of the Social Security Act for months after December  
12 1983.

13       (2) In the case of an individual who was not entitled to  
14 a monthly benefit under title II of such Act for December  
15 1983, no benefit shall be paid under such title by reason of  
16 such amendments unless proper application for such benefit  
17 is made.

#### 18       DETERMINATION OF PRIMARY INSURANCE AMOUNT FOR

#### 19               DEFERRED SURVIVOR BENEFITS

20       SEC. 114. (a) Section 215(a) of the Social Security  
21 Act is amended by adding at the end thereof the following  
22 new paragraph:

23       “(8)(A) If a person is entitled to benefits under subsec-  
24 tion (e) or (f) of section 202 on the basis of the wages and  
25 self-employment income of a deceased individual whose pri-



1    *mary insurance amount would otherwise be determined*  
2    *under paragraph (1), the primary insurance amount of such*  
3    *deceased individual shall be determined, for purposes of de-*  
4    *termining the amount of the benefit under such subsection, as*  
5    *if such deceased individual died in the year in which the*  
6    *person entitled to benefits under such subsection first became*  
7    *eligible for such benefits or, if earlier, the year in which such*  
8    *deceased individual would have attained age 62 if he had not*  
9    *died (except that the actual year of death of such deceased*  
10   *individual shall be used for purposes of section*  
11   *215(b)(2)(B)(ii)(II)).*

12       “(B) Notwithstanding subparagraph (A), if a person—

13           “(i) is entitled to benefits under subsection (e) or  
14       (f) of section 202 on the basis of the wages and self-  
15       employment income of a deceased individual, and

16           “(ii) was entitled to benefits under this title on  
17       the basis of the wages and self-employment income of  
18       such deceased individual in the month before the month  
19       in which such person became eligible for the benefits  
20       described in clause (i),

21    *the primary insurance amount of such deceased individual*  
22    *shall be the primary insurance amount determined under the*  
23    *rules which would apply (but for subparagraph (A)) or the*  
24    *primary insurance amount determined under subparagraph*  
25    *(A), whichever is larger.”.*

1       (b) *The amendments made by subsection (a) shall apply*  
2 *to the benefits of individuals who become eligible for benefits*  
3 *under section 202 (e) and (f) of the Social Security Act after*  
4 *December 1984.*

5       *BENEFITS FOR DIVORCED SPOUSE REGARDLESS OF*  
6       *WHETHER FORMER SPOUSE HAS RETIRED*

7       *SEC. 115. (a) Section 202(b) of the Social Security*  
8 *Act is amended by adding at the end thereof the following*  
9 *new paragraph:*

10       “(5) *For purposes of determining the entitlement of a*  
11 *divorced wife to a benefit under this subsection and the*  
12 *amount of such benefit, in the case of a wife who has been*  
13 *divorced from her former husband for a period of not less*  
14 *than 24 months—*

15       “(A) *such former husband shall be deemed to be*  
16 *entitled to an old-age insurance benefit if he would be*  
17 *entitled to such a benefit if he applied therefor; and*

18       “(B) *the amount of such benefit for such divorced*  
19 *wife shall be determined without regard to reductions*  
20 *which are or would be made under section 203 on ac-*  
21 *count of work performed by such former husband.”.*

22       (b)(1) *The amendment made by subsection (a) shall be*  
23 *effective with respect to monthly benefits payable under title*  
24 *II of the Social Security Act for months after December*  
25 *1984.*

(2) In the case of an individual who was not entitled to a monthly benefit under title II of such Act for December 1984, no benefit shall be paid under such title by reason of such amendment unless proper application for such benefit is made.

6 INCREASE IN BENEFIT AMOUNT FOR DISABLED WIDOWS  
7 AND WIDOWERS

8        *SEC. 116. (a)(1) Section 202(q)(1) of the Social Secu-*  
9        *urity Act is amended by striking out the semicolon at the end*  
10       *of subparagraph (B)(ii) and all that follows and inserting in*  
11       *lieu thereof a period.*

12       (2) *Section 202(q)(6) of such Act is amended to read as*  
13 *follows:*

14       “(6) For purposes of this subsection, the ‘reduction  
15   period’ for an old-age, wife’s, husband’s, widow’s, or widow-  
16   er’s insurance benefit is the period beginning—

17           “(A) in the case of an old-age or husband’s insur-  
18           ance benefit, with the first day of the first month for  
19           which such individual is entitled to such benefit,

20 “(B) in the case of a wife’s insurance benefit,  
21 with the first day of the first month for which a certifi-  
22 cate described in paragraph (5)(A)(i) is effective, or

23           “(C) in the case of a widow’s or widower’s insur-  
24           ance benefit, with the first day of the first month for  
25           which such individual is entitled to such benefit or the

1        *first day of the month in which such individual attains*  
 2        *age 60, whichever is later,*  
 3        *and ending with the last day of the month before the month in*  
 4        *which such individual attains retirement age.”.*

5        (3) Section 202(q)(7) of such Act is amended by strik-  
 6        ing out the matter preceding subparagraph (A) and inserting  
 7        in lieu thereof the following:

8        “(7) For purposes of this subsection, the ‘adjusted re-  
 9        duction period’ for an old-age, wife’s, husband’s, widow’s, or  
 10        widower’s insurance benefit is the reduction period prescribed  
 11        in paragraph (6) for such benefit, excluding—”.

12        (4) Paragraphs (1)(B)(i), (3)(E)(ii), and (3)(F)(ii) of  
 13        section 202(q) of such Act are each amended by striking out  
 14        “(6)(A)” and inserting in lieu thereof in each instance “(6)”.

15        (5) Section 202(q)(3)(G) of such Act is amended by  
 16        striking out “paragraph (6)(A) (or, if such paragraph does  
 17        not apply, the period specified in paragraph (6)(B))” and  
 18        inserting in lieu thereof “paragraph (6)”.

19        (6) Section 202(q)(10) of such Act is amended—

20                (A) by striking out “or an additional adjusted re-  
 21        duction period”;

22                (B) in subparagraphs (B)(i), (C)(i), and (C)(ii),  
 23        by striking out “, plus the number of months in the  
 24        adjusted additional reduction period multiplied by  $\frac{43}{240}$   
 25        of 1 percent”; and



1           (C) in subparagraph (B)(ii), by striking out “,  
2       plus the number of months in the additional reduction  
3       period multiplied by  $\frac{43}{240}$  of 1 percent”.

4       (b)(1) The amendments made by this section shall be  
5       effective with respect to monthly benefits under title II of the  
6       Social Security Act for months after December 1983.

7       (2) In the case of an individual who was not entitled to  
8       a monthly benefit under title II of such Act for December  
9       1983, no benefit shall be paid under such title by reason of  
10      such amendments unless proper application for such benefit  
11      is made.

12   ADJUSTMENT TO COST-OF-LIVING INCREASE WHEN TRUST  
13                   FUND RATIO FALLS BELOW 20 PERCENT

14      SEC. 117. (a) Section 215(i)(2)(A)(ii) of the Social Se-  
15      curity Act is amended, in the matter following clause (III),  
16      by striking out “The increase shall be derived” and inserting  
17      in lieu thereof “Except as otherwise provided in paragraph  
18      (5), the increase shall be derived”.

19      (b) Section 215(i) of such Act is amended by adding at  
20      the end thereof the following new paragraph:

21      “(5)(A) The amount of the increase under paragraph  
22      (2) to become effective for monthly benefits payable for De-  
23      cember 1988 or any December thereafter shall, if the Secre-  
24      tary makes a finding under this paragraph that the combined  
25      trust funds ratio (as defined in subparagraph (D)) as of the

1 *start of business on January 1 of the calendar year in which*  
2 *such December falls is less than 20.0 percent, be determined*  
3 *under paragraph (2) by substituting—*

4           “(i) the percentage (rounded to the nearest one-  
5       tenth of 1 percent) by which the average of the total  
6       wages for the preceding calendar year (as determined  
7       for purposes of subsection (b)(3)(A)(ii)) exceeds such  
8       average for the second preceding calendar year (and if  
9       no increase in such wages took place, the percentage  
10      shall be deemed to be zero), for

11           “(ii) the percentage otherwise applicable under  
12      paragraph (2),

13 *but only if the percentage determined under clause (i) is less*  
14 *than the percentage determined under clause (ii).*

15           “(B) In any case in which a cost-of-living adjustment  
16 *would not be made under this subsection on account of the*  
17 *relevant increase in the Consumer Price Index being less*  
18 *than 3 percent, no such cost-of-living increase shall be made*  
19 *by reason of this paragraph. For purposes of any subsequent*  
20 *determination of a cost-of-living increase based upon a period*  
21 *of more than 12 months, the percentage of the cost-of-living*  
22 *increase (if any) to be applied under paragraph (2) shall be*  
23 *the sum of the percentage increases for each relevant 12-*  
24 *month period in such longer period which would have been*  
25 *effective under this subsection (including this paragraph) but*

1 for the provision of paragraph (1) which limits such increases  
2 only to cases in which the relevant increase in the Consumer  
3 Price Index is equal to or greater than 3 percent.

4 “(C) The Secretary shall make the finding with respect  
5 to the combined trust funds ratio (as of the start of business  
6 on January 1 of each calendar year) on October 1 of each  
7 calendar year, based upon the most recent data available as  
8 of that time.

9 “(D) For purposes of this paragraph, the term ‘com-  
10 bined trust funds ratio’ means the ratio of—

11 “(i) the combined balance in the Federal Old-Age  
12 and Survivors Insurance Trust Fund and the Federal  
13 Disability Insurance Trust Fund, reduced by the  
14 amount of any outstanding loan (including interest  
15 thereon) from the Federal Hospital Insurance Trust  
16 Fund, as of the start of business on January 1 of any  
17 calendar year, to

18 “(ii) the amount estimated by the Secretary to be  
19 the total amount to be paid from the Federal Old-Age  
20 and Survivors Insurance Trust Fund and the Federal  
21 Disability Insurance Trust Fund during such calendar  
22 year for all purposes authorized by section 201, but ex-  
23 cluding any transfer payments between such trust  
24 funds and reducing the amount of any transfer to the  
25 Railroad Retirement Account by the amount of any

1        *transfers into either such trust fund from the Railroad*  
2        *Retirement Account.*

3        *“(E) If any increase under paragraph (2) has been de-*  
4        *termined on the basis of the substitute formula in subpara-*  
5        *graph (A)(i) of this paragraph, and, for any succeeding cal-*  
6        *endar year, the Secretary determines that the combined trust*  
7        *funds ratio is greater than 32.0 percent, the Secretary shall*  
8        *pay additional benefits with respect to the 12-month period*  
9        *beginning with the following December in amounts not to*  
10       *exceed—*

11                *“(i) in the aggregate, a total amount which, ac-*  
12        *cording to actuarial estimate, equals the amount by*  
13        *which the balance in such trust funds on the date of*  
14        *such determination exceeds the amount necessary to*  
15        *effect a combined trust funds ratio of 32.0 percent for*  
16        *the following year; and*

17                *“(ii) with respect to any individual, for benefits*  
18        *for each month in such 12-month period, an amount*  
19        *equal to one-twelfth of the total amount by which all*  
20        *benefits paid to him during all previous years were less*  
21        *than the amounts which would have been paid to him*  
22        *but for the provisions of this paragraph.*

23        *Such additional benefits shall be paid as a percentage in-*  
24        *crease in the monthly benefits otherwise payable for months*  
25        *during such 12-month period. If there are not sufficient*



1 funds available to pay additional benefits in the full amount  
2 to all individuals (taking into account the limitation in  
3 clause (i)), amounts paid under this subparagraph shall be  
4 paid on a pro rata basis to all individuals who are entitled to  
5 any such amount and are entitled to a benefit under this title  
6 for the months in which such additional amounts are being  
7 paid.

8 “(F) In any case in which additional payments are  
9 made by reason of the provisions of subparagraph (E), for  
10 purposes of determining benefit amounts for months after the  
11 12-month period for which such additional benefits were  
12 made, the percentage increase under this subsection applica-  
13 ble to benefits payable for such 12-month period shall be  
14 deemed to be the actual percentage achieved by reason of such  
15 additional payments (as measured with respect to payments  
16 which are not subject to reduction under any other provision  
17 of this Act).”

18 (c) Only with respect to the determination made for  
19 January 1, 1988, the combined trust fund ratio for such year  
20 (for purposes of determining the increase under section  
21 215(i) of the Social Security Act for benefits payable for  
22 December of such year) shall be determined by using the ac-  
23 tuarial estimate of the Secretary of Health and Human serv-  
24 ices of the ratio of—

1           (1) *the combined balance which will be available*  
2       *in the Federal Old-Age and Survivors Insurance*  
3       *Trust Fund and the Federal Disability Insurance*  
4       *Trust Fund, reduced by the amount of any outstanding*  
5       *loan (including interest thereon) from the Federal Hos-*  
6       *pital Insurance Trust Fund, at the close of business on*  
7       *December 31 of such calendar year, to*

8           (2) *the amount estimated by the Secretary to be*  
9       *the total amount to be paid from the Federal Old-Age*  
10      *and Survivors Insurance Trust Fund and the Federal*  
11      *Disability Insurance Trust Fund for calendar year*  
12      *1988 for all purposes authorized by section 201 of such*  
13      *Act, but excluding any transfer payments between such*  
14      *trust funds, and reducing the amount of any transfer*  
15      *to the Railroad Retirement Account by the amount of*  
16      *any transfers into either such trust fund from the Rail-*  
17      *road Retirement Account.*

18       (d) *Section 1617(a)(2) of the Social Security Act is*  
19      *amended by inserting “, or, if greater, the percentage by*  
20      *which benefit amounts under title II would be increased for*  
21      *such month but for the provisions of section 215(i)(5),” after*  
22      *“are increased for such month”.*

1 *INCREASE IN OLD-AGE INSURANCE BENEFIT AMOUNTS ON*  
2 *ACCOUNT OF DELAYED RETIREMENT*

3 *SEC. 118. (a) Section 202(w)(1)(A) of the Social Secu-*  
4 *rity Act is amended to read as follows:*

5 *“(A) the applicable percentage (as determined*  
6 *under paragraph (6)) of such amount, multiplied by”.*

7 *(b) Section 202(w) of such Act is amended by adding at*  
8 *the end thereof the following new paragraph:*

9 *“(6) For purposes of paragraph (1)(A), the applicable*  
10 *percentage is—*

11 *“(A)  $\frac{1}{12}$  of 1 percent in the case of an individual*  
12 *who first becomes eligible for an old-age insurance*  
13 *benefit before 1979; and*

14 *“(B)  $\frac{1}{4}$  of 1 percent in the case of an individual*  
15 *who first becomes so eligible after 1978, and before*  
16 *1990;*

17 *“(C) in the case of an individual who first be-*  
18 *comes so eligible after 1989 and before 2009, a per-*  
19 *centage equal to the percentage in effect under this sub-*  
20 *paragraph for individuals who first became eligible in*  
21 *the preceding calendar year (as increased pursuant to*  
22 *this clause), plus  $\frac{1}{48}$  of 1 percent, and*

23 *“(D) in the case of an individual who first be-*  
24 *comes so eligible after 2008,  $\frac{2}{3}$  of 1 percent.”.*

1       (c)(1) Paragraphs (2)(A) and (3) of section 202(w) of  
 2 such Act are each amended by striking out “age 72” and  
 3 inserting in lieu thereof “age 70”.

4       (2) The amendments made by paragraph (1) shall apply  
 5 with respect to increment months in calendar years after  
 6 1983.

7                                   INCREASE IN RETIREMENT AGE

8       SEC. 119. (a) Section 216 of the Social Security Act is  
 9 amended by inserting before subsection (b) the following new  
 10 subsection:

11                                   “Retirement Age

12       “(a) (1) The term ‘retirement age’ means—

13               “(A) with respect to an individual who attains the  
 14 early retirement age (as defined in paragraph (2))  
 15 before January 1, 2000, 65 years of age;

16               “(B) with respect to an individual who attains  
 17 early retirement age after December 31, 1999, and  
 18 before January 1, 2012, 65 years of age plus the  
 19 number of months in the age increase factor (as deter-  
 20 mined under paragraph (3)) for the year in which such  
 21 individual attains early retirement age; and

22               “(C) with respect to an individual who attains  
 23 early retirement age after December 31, 2014, 66  
 24 years of age.



1       “(2) The term ‘early retirement age’ means age 62 in  
2 the case of an old-age, wife’s, or husband’s benefit, and age  
3 60 in the case of a widow’s or widower’s benefit.

4       “(3) The age increase factor for individuals who attain  
5 early retirement age in the period described in subparagraph  
6 (B) shall be equal to one-twelfth of the number of months in  
7 the period beginning with January 2000 and ending with  
8 December of the year in which the individual attains early  
9 retirement age.

10       (b)(1) Section 202(q)(9) of such Act is amended to read  
11 as follows:

12       “(9) The amount of the reduction for early retirement  
13 specified in paragraph (1) shall be periodically revised by the  
14 Secretary such that—

15               “(A) for old-age insurance benefits, wife’s insur-  
16 ance benefits, and husband’s insurance benefits, the re-  
17 duction applicable to an individual entitled to such a  
18 benefit at an age not more than 3 years lower than the  
19 retirement age applicable to such individual, shall be  
20 the same as under such paragraph (1), and such reduc-  
21 tion shall be increased by five-twelfths of 1 percent for  
22 each month below that age which is 3 years lower than  
23 the applicable retirement age; and

24               “(B) for widow’s insurance benefits and widow-  
25 er’s insurance benefits, the reduction for those entitled

1        *to such benefits at the earliest possible early retirement*  
 2        *age shall be the same as specified in paragraph (1),*  
 3        *and those for later ages shall be established by linear*  
 4        *interpolation between the applicable reduction for such*  
 5        *earliest possible early retirement age and a factor of*  
 6        *unity at the applicable retirement age.”.*

7        (2) Section 202(q)(1) of such Act is amended by strik-  
 8        ing out “If” and inserting in lieu thereof “Subject to para-  
 9        graph (9), if”.

10        (c) *The Social Security Act is amended—*

11                (1) *by striking out “age 65” or “age of 65”, as*  
 12        *the case may be, each place it appears in the following*  
 13        *sections and inserting in lieu thereof in each instance*  
 14        *“retirement age (as defined in section 216(a))”:*

15                (A) *subsections (a), (b), (c), (d), (e), (f), (g),*

16                *(r), and (w) of section 202,*

17                (B) *subsections (c) and (f) of section 203,*

18                (C) *section 211(b)(3),*

19                (D) *subsection (f) of section 215,*

20                (E) *subsections (h) and (i) of section 216,*

21                (F) *section 223(a),*

22                (G) *subsections (a), (b), (c), and (e) of sec-*  
 23        *tion 226,*

24                (H) *section 1811,*

25                (I) *section 1818(a)(1),*

(J) section 1836(2),

(K) section 1837,

(L) subsections (c) and (f) of section 1839,

(M) section 1838,

(N) section 1844(a), and

(O) section 1876(a)(5);

(2) by striking out “age sixty-five” in section 203(c) and inserting in lieu thereof “retirement age (as defined in section 216(a))”; and

(3) by striking out “age of sixty-five” in section 223(a) and inserting in lieu thereof “retirement age (as defined in section 216(a))”.

#### ADJUSTMENTS IN OASDI BENEFIT FORMULA

SEC. 120. (a) Section 215(a)(1)(A) of the Social Security Act is amended by striking out “90 percent” in clause (i), “32 percent” in clause (ii), and “15 percent” in clause (iii) and inserting in lieu thereof in each instance “the applicable percentage (determined under paragraph (8))”.

(b) The first sentence of section 215(a)(7)(B) of such Act (as added by section 113(a) of this Act) is amended by striking out “61 percent” and inserting in lieu thereof “the applicable percentage as determined under paragraph (8)”.

(c) Section 215(a) of such Act is further amended by adding at the end thereof (after the new paragraph added by section 113 of this Act) the following new paragraph:

1       “(8) The ‘applicable percentages’ for purposes of clauses  
 2 (i), (ii), and (iii) of paragraph (1)(A), and the ‘applicable  
 3 percentage’ for purposes of the first sentence of paragraph  
 4 (7)(B), shall be determined as follows:

“For individuals who initially become eligible for old-age or disability insurance benefits, or who die (before becoming eligible for such benefits) in—	The ‘applicable percentage’—		
	for purposes of clause (i) of paragraph (1)(A) is—	for purposes of clause (ii) of paragraph (1)(A) and the first sentence of paragraph (7)(B) is—	for purposes of clause (iii) of paragraph (1)(A) is—
any year from 1979			
through 1999 .....	90.0	32.0	15.0
2000.....	89.4	31.8	14.9
2001.....	88.8	31.6	14.8
2002.....	88.2	31.4	14.7
2003.....	87.6	31.1	14.6
2004.....	87.0	30.9	14.5
2005.....	86.4	30.7	14.4
2006.....	85.8	30.5	14.3
2007 or thereafter .....	85.2	30.3	14.2

5   PHASEOUT OF EARNINGS LIMITATION FOR BENEFICI-  
 6   ARIES WHO HAVE ATTAINED RETIREMENT AGE

7       SEC. 121. (a) Section 203(f)(8)(D) of the Social Secu-  
 8 rity Act is amended by inserting “(i)” after “(D)” and  
 9 adding at the end thereof the following new clause:

10       “(i) Notwithstanding any other provision of this sub-  
 11 section, the exempt amount applicable to any individual who  
 12 has attained retirement age, as otherwise determined under  
 13 this subsection, shall be increased by—

14       “(I) \$250 for each month in any taxable year  
 15 ending after 1989 and before 1991;

16       “(II) \$500 for each month in any taxable year  
 17 ending after 1990 and before 1992;



1           “(III) \$750 for each month in any taxable year  
2           ending after 1991 and before 1993;

3           “(IV) \$1,000 for each month in any taxable year  
4           ending after 1992 and before 1994; and

5           “(V) \$1,250 for each month in any taxable year  
6           ending after 1993 and before 1995.”.

7           (b) Section 203(c)(1) of the Social Security Act is  
8           amended by striking out “the age of seventy” and inserting  
9           in lieu thereof “retirement age”.

10          (c) The last sentence of section 203(c) of such Act is  
11          amended by striking out “nor shall any deduction” and all  
12          that follows and inserting in lieu thereof “nor shall any de-  
13          duction be made under this subsection from any widow’s or  
14          widower’s insurance benefits if the widow, surviving divorced  
15          wife, widower, or surviving divorced husband involved  
16          became entitled to such benefit prior to attaining age 60.”.

17          (d) Section 203(d)(1) of such Act is amended by strik-  
18          ing out “the age of seventy” and inserting in lieu thereof  
19          “retirement age”.

20          (e) Section 203(f)(1) of such Act is amended—

21               (1) in clause (B), by striking out “the age of sev-  
22               enty” and inserting in lieu thereof “retirement age”;

23               (2) by amending clause (D) to read as follows:

24               “(D) for which such individual is entitled to widow’s

1       or widower's insurance benefits if such individual  
2       became so entitled prior to attaining age 60,"; and

3               (3) by striking out "the applicable exempt  
4       amount" each place it appears and inserting in lieu  
5       thereof in each instance "the exempt amount".

6       (f) Section 203(f)(3) of such Act is amended—

7               (1) by striking out "applicable exempt amount"  
8       and inserting in lieu thereof "exempt amount"; and

9               (2) by striking out "age 70" and inserting in lieu  
10       thereof "retirement age".

11       (g) Section 203(f)(4)(B) of such Act is amended by  
12       striking out "applicable exempt amount" and inserting in  
13       lieu thereof "exempt amount".

14       (h) Section 203(f)(8)(A) of such Act is amended by  
15       striking out "exempt amounts (separately stated for individ-  
16       uals described in subparagraph (D) and for other individ-  
17       uals) which are to be applicable" and inserting in lieu thereof  
18       "exempt amount which is to be applicable".

19       (i) Section 203(f)(8)(B) of such Act is amended—

20               (1) by striking out "Except as otherwise provided  
21       in subparagraph (D), the exempt amount which is ap-  
22       plicable to individuals described in such subparagraph  
23       and the exempt amount which is applicable to other in-  
24       dividuals, for each month of a particular taxable year,  
25       shall each be" and inserting in lieu thereof "The

1        *exempt amount for each month of a particular taxable*  
2        *year shall be”;*

3            (2) *in clause (i), by striking out “corresponding”;*  
4        *and*

5            (3) *in the matter following clause (ii), by striking*  
6        *out “an exempt amount” and inserting in lieu thereof*  
7        *“the exempt amount”.*

8        (j) *Section 203(f)(8) of such Act is amended by striking*  
9        *out subparagraph (D) thereof.*

10        (k) *Section 203(h)(1)(A) of such Act is amended—*

11            (1) *by striking out “applicable exempt amount”*  
12        *and inserting in lieu thereof “exempt amount”; and*

13            (2) *by striking out “age 70” each place it appears*  
14        *and inserting in lieu thereof in each instance “retire-*  
15        *ment age”.*

16        (l) *Section 203(j) of such Act is amended—*

17            (1) *by striking out “Age Seventy” in the heading*  
18        *thereof and inserting in lieu thereof “Retirement Age”;*  
19        *and*

20            (2) *by striking out “seventy years of age” and in-*  
21        *serting in lieu thereof “retirement age”.*

22        (m) *Section 202(w)(2) of such Act (as amended by sec-*  
23        *tion 118 of this Act) is further amended by inserting “for*  
24        *months prior to 1984” before “and prior”.*

1       (n) *The amendments made by this section, other than*  
 2 *subsection (a) and subsection (m), shall be effective with re-*  
 3 *spect to taxable years ending after 1994.*

4       *INCREASE IN DROPOUT YEARS FOR TIME SPENT IN*

5                               *CHILD CARE*

6       *SEC. 122. (a) Section 215(b)(2)(A) of the Social Secu-*  
 7 *rity Act is amended, in the third sentence thereof—*

8               (1) *by striking out “clause (ii)” each place it ap-*  
 9 *pears and inserting in lieu thereof in each instance*  
 10 *“clause (i) or (ii)”;* and

11              (2) *by striking out “a combined total not exceed-*  
 12 *ing 3” and inserting “a combined total not exceeding*  
 13 *7”.*

14       (b) *The amendments made by this section shall apply*  
 15 *only with respect to individuals who first become eligible for*  
 16 *benefits under title II of the Social Security Act for months*  
 17 *after December 1983.*

18                           *LIMITATION ON PAYMENTS TO PRISONERS*

19       *SEC. 123. (a) Section 202 of the Social Security Act is*  
 20 *amended by adding at the end thereof the following new sub-*  
 21 *section:*

22       *“Suspension of Benefits for Inmates of Penal Institutions*

23              *“(x)(1) Notwithstanding any other provision of this*  
 24 *title, no monthly benefits shall be paid under this section or*  
 25 *under section 223 to any individual for any month during*



1 *which such individual is confined in a jail, prison, or other*  
2 *penal institution or correctional facility, pursuant to his con-*  
3 *viction of an offense which constituted a felony under appli-*  
4 *cable law.*

5       “(2) *Benefits which would be payable to any individual*  
6 *(other than a confined individual to whom benefits are not*  
7 *payable by reason of paragraph (1)) under this title on the*  
8 *basis of the wages and self-employment income of such a con-*  
9 *fined individual but for the provisions of paragraph (1), shall*  
10 *be payable as though such confined individual were receiving*  
11 *such benefits.*

12       “(3) *Notwithstanding the provisions of section 552a of*  
13 *title 5, United States Code, or any other provision of Federal*  
14 *or State law, any agency of the United States Government*  
15 *or of any State (or political subdivision thereof) shall make*  
16 *available to the Secretary, upon written request, the name*  
17 *and social security account number of any individual who is*  
18 *confined in a jail, prison, or other penal institution or correc-*  
19 *tional facility under the jurisdiction of such agency, pursu-*  
20 *ant to his conviction of an offense which constituted a felony*  
21 *under applicable law, which the Secretary may require to*  
22 *carry out the provisions of this subsection.”.*

23       (b) *Section 223 of such Act is amended by striking out*  
24 *subsection (f).*

1       (c) *The amendments made by subsections (a) and (b)*  
2 *shall apply with respect to monthly benefits payable for*  
3 *months beginning on or after the date of the enactment of this*  
4 *Act.*

5       LIMITATIONS ON PAYMENTS TO NONRESIDENT ALIENS

6       SEC. 124. (a) *Section 202(t)(1) of the Social Security*  
7 *Act is amended to read as follows:*

8       “(1)(A) *Notwithstanding any other provision of this*  
9 *title (but subject to subparagraphs (B) through (D) of this*  
10 *paragraph), no monthly benefit shall be paid under this sec-*  
11 *tion or section 223 for any month to any individual who is*  
12 *not a citizen or national of the United States if such individ-*  
13 *ual is outside the United States.*

14       “(B) *For purposes of this paragraph, an individual*  
15 *shall be considered to be outside the United States in any*  
16 *month only if such month occurs—*

17       “(i) *after the sixth consecutive calendar month*  
18 *during all of which (as determined by the Secretary on*  
19 *the basis of information furnished to him by the Attor-*  
20 *ney General or information which otherwise comes to*  
21 *his attention) such individual is outside the United*  
22 *States, and*

23       “(ii) *prior to the first month thereafter during all*  
24 *of which such individual has been in the United*  
25 *States;*

1 *but in applying the preceding provisions of this subparagraph*  
2 *an individual who has been outside the United States for any*  
3 *period of 30 consecutive days shall be treated as remaining*  
4 *outside the United States until he has been in the United*  
5 *States for a period of 30 consecutive days.*

6       “(C)(i) *An individual who is otherwise prevented by*  
7 *subparagraph (A) from receiving benefits under this title*  
8 *shall nevertheless be paid such benefits, as though such sub-*  
9 *paragraph were inapplicable, until the total amount of such*  
10 *benefits (excluding amounts withheld from such benefits*  
11 *under section 1441 of the Internal Revenue Code of 1954)*  
12 *equals the total amount of the taxes payable under sections*  
13 *3101 and 1401 of the Internal Revenue Code of 1954 (or the*  
14 *corresponding provisions of prior law) with respect to the*  
15 *wages and self-employment income on which such benefits*  
16 *are based (as determined by the Secretary on the basis of*  
17 *such wages and self-employment income) plus interest (as de-*  
18 *termined under clause (iii)).*

19       “(ii) *In determining the total amount of benefits pay-*  
20 *able to an individual under clause (i) with respect to the*  
21 *wages and self-employment income of any individual, the*  
22 *Secretary shall take into account all benefits paid before such*  
23 *determination is made on the basis of such wages and self-*  
24 *employment income (wherever paid).*

1       “(iii) For purposes of this subparagraph, interest on  
2 taxes payable under sections 3101 and 1401 of the Internal  
3 Revenue Code of 1954 (or corresponding provisions of prior  
4 law) shall be compounded annually from July 1 of the year  
5 in which such taxes were payable only until the last day of  
6 the year preceding the year in which the individual on the  
7 basis of whose wages and self-employment income benefits  
8 are to be paid attains age 62, becomes disabled, or dies,  
9 whichever occurs first, at a rate of 3.0 percent for the period  
10 after 1936 and before 1951, and, for each year after 1950, at  
11 a rate equal to the average of the twelve monthly interest rates  
12 determined under section 201 for such year.

13       “(D) For purposes of this paragraph, the term ‘United  
14 States’ (when used in either a geographical or political sense)  
15 means the States, the District of Columbia, the Common-  
16 wealth of Puerto Rico, the Virgin Islands, Guam, American  
17 Samoa, the Trust Territory of the Pacific Islands, and any  
18 other territory or possession of the United States.”.

19       (b) Section 202(t)(2) of such Act is repealed.

20       (c) Section 202(t)(3) of such Act is amended to read as  
21 follows:

22       “(3) Paragraph (1) shall not apply—

23       “(A) in any case where its application would be  
24 contrary to any treaty obligation of the United States



1       *in effect on the date of the enactment of the Social Se-*  
2       *curity Amendments of 1983, or*

3               *“(B) to individuals who are citizens or residents*  
4       *of a country with which the United States has con-*  
5       *cluded an international social security agreement pur-*  
6       *suant to section 233, unless otherwise provided by such*  
7       *agreement.”.*

8       *(d) Section 202(t)(4) of such Act is amended—*

9               *(1) by striking out subparagraphs (A) and (B);*

10              *(2) by redesignating subparagraphs (C), (D), and*  
11       *(E) as subparagraphs (A), (B), and (C); and*

12              *(3) by striking out the semicolon at the end of*  
13       *subparagraph (C) (as so redesignated) and all that fol-*  
14       *lows and inserting in lieu thereof a period.*

15       *(e) The heading of section 202(t) of such Act is amended*  
16       *by adding at the end thereof the following: “; Prohibition*  
17       *Against Payment of Benefits to Aliens Not Permanent Resi-*  
18       *dents”.*

19       *(f)(1) The amendments made by the preceding subsec-*  
20       *tions shall apply with respect to any individual who initially*  
21       *becomes eligible for benefits under section 202 or 223 of the*  
22       *Social Security Act after December 31, 1984.*

23       *(2) Section 202(t) of the Social Security Act (as in*  
24       *effect on the day before the date of enactment of this Act)*  
25       *shall apply with respect to individuals who are eligible for*

1 *benefits under section 202 or 223 of such Act before January*  
2 *1, 1985.*

3 *REDUCTION OF COST-OF-LIVING INCREASE IF TRUST*  
4 *FUNDS RATIO IS BELOW 20 PERCENT AND DECLINING*

5 *SEC. 125. (a) Section 215(i) of the Social Security Act*  
6 *is amended by adding at the end thereof the following new*  
7 *paragraph:*

8 *“(5)(A) On or before July 1 of each calendar year after*  
9 *1983, the Secretary shall determine whether the estimated*  
10 *OASDI trust fund ratio for the second calendar year follow-*  
11 *ing such calendar year will be—*

12 *“(i) less than 20.0 percent; and*

13 *“(ii) less than the estimated OASDI trust fund*  
14 *ratio for the first calendar year following the year in*  
15 *which such determination is made.*

16 *“(B) If the Secretary finds that the OASDI trust fund*  
17 *ratio for the second calendar year following such calendar*  
18 *year will be less than each of the ratios described in clauses*  
19 *(i) and (ii) of subparagraph (A), the Secretary shall—*

20 *“(i) notify the Congress on or before July 1 of*  
21 *such calendar year that, absent a change of circum-*  
22 *stances, it will be necessary to reduce the amount of*  
23 *the percentage cost-of-living increase otherwise payable*  
24 *under this subsection with respect to benefits for*  
25 *months after November of such calendar year; and*

1           “(ii) absent a change of circumstances before such  
2           cost-of-living increase is determined that will allow the  
3           full amount of benefits otherwise payable to be paid in  
4           a timely fashion, reduce the amount of such percentage  
5           increase (but not below zero) in accordance with sub-  
6           paragraph (C) to the extent necessary to ensure that  
7           the OASDI trust fund ratio for the second calendar  
8           year following the calendar year in which the determi-  
9           nation is made will not fall below the lower of—

10           “(I) 20.0 percent, or

11           “(II) the OASDI trust fund ratio for the  
12           calendar year following the calendar year in  
13           which the determination is made.

14           “(C) In reducing a cost-of-living percentage increase  
15           under subparagraph (B), the Secretary shall first apply such  
16           reduction to the percentage increase otherwise payable with  
17           respect to monthly benefits payable under this section that are  
18           based on a primary insurance amount of \$250 or more for  
19           the month preceding such cost-of-living increase; the percent-  
20           age increase applied to the primary insurance amount used to  
21           determine all other monthly benefits shall not be such as to  
22           increase such primary insurance amounts above \$250. If  
23           further reduction in outgo is required, a reduction in the per-  
24           centage increase applicable with respect to monthly benefits

1 *based on a primary insurance amount of less than \$250 for*  
2 *such preceding month shall be made.*

3       “(D) For purposes of this paragraph, the term ‘OASDI  
4 *trust fund ratio*’ shall mean, with respect to any calendar  
5 *year, the ratio of—*

6               “(i) the amount estimated by the Secretary to be  
7 *equal to the combined balance in the Federal Old-Age*  
8 *and Survivors Insurance Trust Fund and the Federal*  
9 *Disability Insurance Trust Fund as of the start of*  
10 *business on January 1 of such calendar year, taking*  
11 *into account any cost-of-living increase that otherwise*  
12 *would be made with respect to benefits paid during*  
13 *such year, and any actions possible to be taken under*  
14 *sections 201(l) and 1817(j) (relating to interfund bor-*  
15 *rowing) and 201 (a) and (m) (relating to normalized*  
16 *crediting of social security taxes), to*

17               “(ii) the amount estimated by the Secretary to be  
18 *the total amount to be paid from such Trust Funds*  
19 *during such calendar year (other than payments of in-*  
20 *terest on, and repayments of loans from), such Trust*  
21 *Funds, and reducing the amount of any transfer to the*  
22 *Railroad Retirement Account by the amount of any*  
23 *transfer to such account from any such Trust Fund.*

24       “(E) With respect to any calendar year beginning  
25 *before January 1988 for which a determination is required to*



1 *be made under subparagraph (A), the estimated OASDI*  
 2 *trust fund ratio for the second calendar year following such*  
 3 *calendar year shall be treated as exceeding the estimated*  
 4 *OASDI trust fund ratio for the first calendar year following*  
 5 *such calendar year if ratio of the estimated combined bal-*  
 6 *ances in the Federal Old-Age and Survivors Insurance*  
 7 *Trust Fund, the Federal Disability Insurance Trust Fund,*  
 8 *and the Federal Hospital Insurance Trust Fund for such*  
 9 *second following calendar year to the amounts estimated to be*  
 10 *paid from all such Trust Funds during such second following*  
 11 *calendar year exceeds the ratio of the estimated balances in*  
 12 *all such Trust Funds to estimated payments from all such*  
 13 *Trust Funds for such first following calendar year.”.*

14 **PART C—REVENUE PROVISIONS**

15 **SEC. 131. TAXATION OF SOCIAL SECURITY AND TIER 1 RAIL-**  
 16 **ROAD RETIREMENT BENEFITS.**

17 **(a) GENERAL RULE.**—Part II of subchapter B of  
 18 chapter 1 of the Internal Revenue Code of 1954 (relating to  
 19 amounts specifically included in gross income) is amended  
 20 by redesignating section 86 as section 87 and by inserting  
 21 after section 85 the following new section:

1   “SEC. 86. SOCIAL SECURITY AND TIER 1 RAILROAD RETIRE-  
2                                   MENT BENEFITS.

3           “(a) *IN GENERAL.*—Gross income for the taxable year  
4 of any taxpayer described in subsection (b) includes social  
5 security benefits in an amount equal to the lesser of—

6                   “(1) one-half of the social security benefits re-  
7 ceived during the taxable year, or

8                   “(2) one-half of the excess described in subsection  
9 (b).

10          “(b) *TAXPAYERS TO WHOM SUBSECTION (a) AP-*  
11 *PLIES.*—

12               “(1) *IN GENERAL.*—A taxpayer is described in  
13 this subsection if—

14                   “(A) the sum of—

15                               “(i) the adjusted gross income of the  
16 taxpayer for the taxable year, plus

17                               “(ii) one-half of the social security  
18 benefits received during the taxable year, ex-  
19 ceeds

20                   “(B) the base amount.

21               “(2) *ADJUSTED GROSS INCOME.*—For purposes  
22 of this subsection, the adjusted gross income of the tax-  
23 payer for the taxable year shall be—

24                   “(A) determined without regard to this sec-  
25 tion and sections 221, 911, and 931, and

1           “(B) increased by the amount of interest of  
2           the taxpayer which is exempt from tax for the  
3           taxable year.

4           “(c) *BASE AMOUNT.*—For purposes of this section, the  
5 term ‘base amount’ means—

6           “(1) except as otherwise provided in this subsec-  
7 tion, \$25,000,

8           “(2) \$32,000, in the case of a joint return, and

9           “(3) zero, in the case of a taxpayer who—

10           “(A) is married at the close of the taxable  
11 year (within the meaning of section 143) but does  
12 not file a joint return for such year, and

13           “(B) does not live apart from his spouse at  
14 all times during the taxable year.

15           “(d) *SOCIAL SECURITY BENEFIT.*—

16           “(1) *IN GENERAL.*—For purposes of this section,  
17 the term ‘social security benefit’ means any amount re-  
18 ceived by the taxpayer by reason of entitlement to—

19           “(A) a monthly benefit under title II of the  
20 Social Security Act (determined without regard to  
21 section 203(i) of the Social Security Act), or

22           “(B) a tier 1 railroad retirement benefit.

23           “(2) *ADJUSTMENT FOR REPAYMENTS DURING*  
24 *YEAR.*—

1           “(A) *IN GENERAL.*—For purposes of this  
2           section, the amount of social security benefits re-  
3           ceived during any taxable year shall be reduced  
4           by any repayment made by the taxpayer during  
5           the taxable year of a social security benefit previ-  
6           ously received by the taxpayer (whether or not  
7           such benefit was received during the taxable  
8           year).

9           “(B) *DENIAL OF DEDUCTION.*—If (but for  
10          this subparagraph) any portion of the repayments  
11          referred to in subparagraph (A) would have been  
12          allowable as a deduction for the taxable year  
13          under section 165, such portion shall be allowable  
14          as a deduction only to the extent it exceeds the  
15          social security benefits received by the taxpayer  
16          during the taxable year (and not repaid during  
17          such taxable year).

18          “(3) *TIER 1 RAILROAD RETIREMENT BENE-*  
19          *FIT.*—For purposes of paragraph (1), the term ‘tier 1  
20          railroad retirement benefit’ means a monthly benefit  
21          under section 3(a), 4(a), or 4(f) of the Railroad Retire-  
22          ment Act of 1974.

23          “(e) *LIMITATION ON AMOUNT INCLUDED WHERE*  
24          *TAXPAYER RECEIVES LUMP-SUM PAYMENT.*—

25               “(1) *LIMITATION.*—If—



1           “(A) any portion of a lump-sum payment of  
2           social security benefits received during the taxable  
3           year is attributable to prior taxable years, and

4           “(B) the taxpayer makes an election under  
5           this subsection for the taxable year,

6 then the amount included in gross income under this section  
7 for the taxable year by reason of the receipt of such portion  
8 shall not exceed the sum of the increases in gross income  
9 under this chapter for prior taxable years which would result  
10 solely from taking into account such portion in the taxable  
11 years to which it is attributable.

12           “(2) SPECIAL RULES.—

13           “(A) YEAR TO WHICH BENEFIT ATTRIBUT-  
14           ABLE.—For purposes of this subsection, a social  
15           security benefit is attributable to a taxable year if  
16           the generally applicable payment date for such  
17           benefit occurred during such taxable year.

18           “(B) ELECTION.—An election under this  
19           subsection shall be made at such time and in such  
20           manner as the Secretary shall by regulations pre-  
21           scribe. Such election, once made, may be revoked  
22           only with the consent of the Secretary.

23           “(f) TREATMENT AS PENSION OR ANNUITY FOR CER-  
24           TAIN PURPOSES.—For purposes of—

25           “(1) section 43(c)(2) (defining earned income),

1           “(2) section 219(f)(1) (defining compensation),

2           “(3) section 221(b)(2) (defining earned income),

3           and

4           “(4) section 911(b)(1) (defining foreign earned  
5           income),

6   any social security benefit shall be treated as an amount re-  
7   ceived as a pension or annuity.”.

8           (b) *INFORMATION REPORTING*.—Subpart B of part  
9   III of subchapter A of chapter 61 of such Code (relating to  
10   information concerning transactions with other persons) is  
11   amended by adding at the end thereof the following new sec-  
12   tion:

13   “**SEC. 6050F. RETURNS RELATING TO SOCIAL SECURITY BENE-**  
14                           **FITS.**

15           “(a) *REQUIREMENT OF REPORTING*.—The appropri-  
16   ate Federal official shall make a return, according to the  
17   forms and regulations prescribed by the Secretary, setting  
18   forth—

19           “(1) the—

20                   “(A) aggregate amount of social security  
21                   benefits paid with respect to any individual  
22                   during any calendar year, and

23                   “(B) aggregate amount of social security  
24                   benefits repaid by such individual during such  
25                   calendar year, and

1           “(2) the name and address of such individual.

2           “(b) STATEMENTS TO BE FURNISHED TO INDIVID-  
3 UALS WITH RESPECT TO WHOM INFORMATION IS FUR-  
4 NISHED.—Every person making a return under subsection  
5 (a) shall furnish to each individual whose name is set forth  
6 in such return a written statement showing—

7           “(1) the name of the agency making the pay-  
8 ments, and

9           “(2) the aggregate amount of payments, of repay-  
10 ments, and of reductions, with respect to the individual  
11 as shown on such return.

12 The written statement required under the preceding sentence  
13 shall be furnished to the individual on or before January 31  
14 of the year following the calendar year for which the return  
15 under subsection (a) was made.

16           “(c) DEFINITIONS.—For purposes of this section—

17           “(1) APPROPRIATE FEDERAL OFFICIAL.—The  
18 term ‘appropriate Federal official’ means—

19           “(A) the Secretary of Health and Human  
20 Services in the case of social security benefits de-  
21 scribed in section 86(d)(1)(A), and

22           “(B) the Railroad Retirement Board in the  
23 case of social security benefits described in section  
24 86(d)(1)(B).

1           “(2) *SOCIAL SECURITY BENEFIT.*—*The term*  
 2           *‘social security benefit’ has the meaning given to such*  
 3           *term by section 86(d)(1).’*.”

4           (c) *TREATMENT OF NONRESIDENT ALIENS.*—

5           (1) *AMENDMENT OF SECTION 871(a).*—*Subsec-*  
 6           *tion (a) of section 871. of such Code (relating to tax on*  
 7           *income not connected with United States business) is*  
 8           *amended by adding at the end thereof the following*  
 9           *new paragraph:*

10           “(3) *TAXATION OF SOCIAL SECURITY BENE-*  
 11           *FITS.*—*For purposes of this section and section*  
 12           *1441—*

13           “(A) *one-half of any social security benefit*  
 14           *(as defined in section 86(d)) shall be included in*  
 15           *gross income, and*

16           “(B) *section 86 shall not apply.*”.

17           (2) *DISCLOSURE OF INFORMATION TO SOCIAL*  
 18           *SECURITY ADMINISTRATION OR RAILROAD RETIRE-*  
 19           *MENT BOARD.*—

20           (A) *IN GENERAL.*—*Subsection (h) of section*  
 21           *6103 of such Code (relating to disclosure to cer-*  
 22           *tain Federal officers and employees for purposes*  
 23           *of tax administration, etc.) is amended by adding*  
 24           *at the end thereof the following new paragraph:*



1           “(6) *SOCIAL SECURITY BENEFITS*.—Upon writ-  
 2       ten request, the Secretary may disclose available  
 3       return information from the master files of the Internal  
 4       Revenue Service with respect to the address and status  
 5       of an individual as a nonresident alien or as a citizen  
 6       or resident of the United States to the Social Security  
 7       Administration or the Railroad Retirement Board for  
 8       purposes of carrying out its responsibilities under sec-  
 9       tion 1441 with respect to social security benefits (as  
 10      defined in section 86(d)).”.

11           (B) *CONFORMING AMENDMENT*.—Para-  
 12      graph (4) of section 6103(p) of such Code (relat-  
 13      ing to safeguards) is amended by inserting  
 14      “(h)(6),” after “(h)(2),” in the material preceding  
 15      subparagraph (A) and in subparagraph (F)(ii)  
 16      thereof.

17      (d) *SOCIAL SECURITY BENEFITS TREATED AS*  
 18      *UNITED STATES SOURCED*.—Subsection (a) of section 861  
 19      of such Code (relating to income from sources within the  
 20      United States) is amended by adding at the end thereof the  
 21      following new paragraph:

22           “(8) *SOCIAL SECURITY BENEFITS*.—Any social  
 23      security benefit (as defined in section 86(d)).”.

24      (e) *TRANSFERS TO TRUST FUNDS*.—

1           (1) *IN GENERAL.*—*There are hereby appropriated*  
2           *to each payor fund amounts equivalent to the aggregate*  
3           *increase in tax liabilities under chapter 1 of the Inter-*  
4           *nal Revenue Code of 1954 which is attributable to the*  
5           *application of sections 86 and 871(a)(3) of such Code*  
6           *(as added by this section) to payments from such payor*  
7           *fund.*

8           (2) *TRANSFERS.*—*The amounts appropriated by*  
9           *paragraph (1) to any payor fund shall be transferred*  
10          *from time to time (but not less frequently than quarter-*  
11          *ly) from the general fund of the Treasury on the basis*  
12          *of estimates made by the Secretary of the Treasury of*  
13          *the amounts referred to in such paragraph. Any such*  
14          *quarterly payment shall be made on the first day of*  
15          *such quarter and shall take into account social security*  
16          *benefits estimated to be received during such quarter.*  
17          *Proper adjustments shall be made in the amounts sub-*  
18          *sequently transferred to the extent prior estimates were*  
19          *in excess of or less than the amounts required to be*  
20          *transferred.*

21          (3) *DEFINITIONS.*—*For purposes of this subsec-*  
22          *tion—*

23                (A) *PAYOR FUND.*—*The term “payor fund”*  
24                *means any trust fund or account from which pay-*  
25                *ments of social security benefits are made.*

1           (B) *SOCIAL SECURITY BENEFITS.*—The  
 2           term “social security benefits” has the meaning  
 3           given such term by section 86(d)(1) of the Inter-  
 4           nal Revenue Code of 1954.

5           (4) *REPORTS.*—The Secretary of the Treasury  
 6           shall submit annual reports to the Congress and to the  
 7           Secretary of Health and Human Services and the  
 8           Railroad Retirement Board on—

9           (A) the transfers made under this subsection  
 10          during the year, and the methodology used in de-  
 11          termining the amount of such transfers and the  
 12          funds or account to which made, and

13          (B) the anticipated operation of this subsec-  
 14          tion during the next 5 years.

15       (f) *TECHNICAL AMENDMENTS.*—

16           (1) Subsection (a) of section 85 of such Code is  
 17           amended by striking out “this section,” and inserting  
 18           in lieu thereof “this section, section 86,”.

19           (2) Subparagraph (B) of section 128(c)(3) of such  
 20           Code (as in effect for taxable years beginning after De-  
 21           cember 31, 1984) is amended by striking out “85,”  
 22           and inserting in lieu thereof “85, 86,”.

23           (3) The table of sections for part II of subchapter  
 24           B of chapter 1 of such Code is amended by striking

1 out the item relating to section 86 and inserting in lieu  
2 thereof the following:

"Sec. 86. Social security and tier 1 railroad retirement benefits.

"Sec. 87. Alcohol fuel credit."

3 (4) The table of sections for subpart B of part III  
4 of subchapter A of chapter 61 of such Code is amended  
5 by adding at the end thereof the following new item:

"Sec. 6050F. Returns relating to social security benefits."

6 (g) *EFFECTIVE DATES.*—

7 (1) *IN GENERAL.*—Except as provided in para-  
8 graph (2), the amendments made by this section shall  
9 apply to benefits received after December 31, 1983, in  
10 taxable years ending after such date.

11 (2) *TREATMENT OF CERTAIN LUMP-SUM PAY-*  
12 *MENTS RECEIVED AFTER DECEMBER 31, 1983.*—The  
13 amendments made by this section shall not apply to  
14 any portion of a lump-sum payment of social security  
15 benefits (as defined in section 86(d) of the Internal  
16 Revenue Code of 1954) received after December 31,  
17 1983, if the generally applicable payment date for such  
18 portion was before January 1, 1984.

19 *SEC. 132. ACCELERATION OF INCREASES IN FICA TAXES; 1984*  
20 *EMPLOYEE TAX CREDIT.*

21 (a) *ACCELERATION OF INCREASES IN FICA*  
22 *TAXES.*—

23 (1) *TAX ON EMPLOYEES.*—Subsection (a) of sec-  
24 tion 3101 of the Internal Revenue Code of 1954 (relat-



ing to rate of tax on employees for old-age, survivors,  
and disability insurance) is amended by striking out  
paragraphs (1) through (7) and inserting in lieu there-  
of the following:

<i>"In cases of wages received during:</i>	<i>The rate shall be:</i>
1984, 1985, 1986, or 1987.....	5.7 percent
1988 or 1989.....	6.06 percent
1990 or thereafter .....	6.2 percent."

(2) *EMPLOYER TAX.*—Subsection (a) of section  
3111 of such Code is amended by striking out para-  
graphs (1) through (7) and inserting in lieu thereof the  
following:

<i>"In cases of wages paid during:</i>	<i>The rate shall be:</i>
1984, 1985, 1986, or 1987.....	5.7 percent
1988 or 1989.....	6.06 percent
1990 or thereafter .....	6.2 percent."

(3) *EFFECTIVE DATE.*—The amendments made  
by this subsection shall apply to remuneration paid  
after December 31, 1983.

(b) *1984 EMPLOYEE TAX CREDIT.*—

(1) *IN GENERAL.*—Chapter 25 of such Code is  
amended by adding at the end thereof the following  
new section:

**"SEC. 3510. CREDIT FOR INCREASED SOCIAL SECURITY EM-  
PLOYEE TAXES AND RAILROAD RETIREMENT  
TIER 1 EMPLOYEE TAXES IMPOSED DURING 1984.**

**"(a) GENERAL RULE.**—There shall be allowed as a  
credit against the tax imposed by section 3101(a) on wages

1 received during 1984 an amount equal to  $\frac{3}{10}$  of 1 percent of  
2 the wages so received.

3 “(b) *TIME CREDIT ALLOWED.*—The credit under sub-  
4 section (a) shall be taken into account in determining the  
5 amount of the tax deducted under section 3102(a).

6 “(c) *WAGES.*—For purposes of this section, the term  
7 ‘wages’ has the meaning given to such term by section  
8 3121(a).

9 “(d) *APPLICATION TO AGREEMENTS UNDER SEC-*  
10 *TION 218 OF THE SOCIAL SECURITY ACT.*—For purposes  
11 of determining amounts equivalent to the tax imposed by sec-  
12 tion 3101(a) with respect to remuneration which—

13 “(1) is covered by an agreement under section  
14 218 of the Social Security Act, and

15 “(2) is paid during 1984,  
16 the credit allowed by subsection (a) shall be taken into ac-  
17 count. A similar rule shall also apply in the case of an agree-  
18 ment under section 3121(l).

19 “(e) *CREDIT AGAINST RAILROAD RETIREMENT EM-*  
20 *PLOYEE AND EMPLOYEE REPRESENTATIVE TAXES.*—

21 “(1) *IN GENERAL.*—There shall be allowed as a  
22 credit against the taxes imposed by sections 3201(a)  
23 and 3211(a) on compensation paid during 1984 and  
24 subject to such taxes an amount equal to  $\frac{3}{10}$  of 1 per-  
25 cent of such compensation.

1           “(2) *TIME CREDIT ALLOWED.*—*The credit under*  
 2           *paragraph (1) shall be taken into account in determin-*  
 3           *ing the amount of the tax deducted under section*  
 4           *3202(a) (or the amount of the tax under section*  
 5           *3211(a)).*

6           “(3) *COMPENSATION.*—*For purposes of this sub-*  
 7           *section, the term ‘compensation’ has the meaning given*  
 8           *to such term by section 3231(e).*

9           “(f) *COORDINATION WITH SECTION 6413(c).*—*For*  
 10          *purposes of subsection (c) of section 6413, in determining the*  
 11          *amount of the tax imposed by section 3101 or 3201, any*  
 12          *credit allowed by this section shall be taken into account.”.*

13          (2) *CLERICAL AMENDMENT.*—*The table of sec-*  
 14          *tions for chapter 25 of such Code is amended by*  
 15          *adding at the end thereof the following new item:*

“Sec. 3510. *Credit for increased social security employee taxes and*  
*railroad retirement tier 1 employee taxes imposed*  
*during 1984.”.*

16          (3) *EFFECTIVE DATE.*—*The amendments made*  
 17          *by this subsection shall apply to remuneration paid*  
 18          *during 1984.*

19          (4) *DEPOSITS IN SOCIAL SECURITY TRUST*  
 20          *FUNDS.*—*For purposes of subsection (h) of section 218*  
 21          *of the Social Security Act (relating to deposits in*  
 22          *social security trust funds of amounts received under*  
 23          *section 218 agreements), amounts allowed as a credit*  
 24          *pursuant to subsection (d) of section 3510 of the Inter-*

1        *nal Revenue Code of 1954 (relating to credit for remuneration paid during 1984 which is covered under an*  
 2        *agreement under section 218 of the Social Security*  
 3        *Act) shall be treated as amounts received under such*  
 4        *an agreement.*

6            (5) *DEPOSITS IN RAILROAD RETIREMENT ACCOUNT.—For purposes of subsection (a) of section 15*  
 7        *of the Railroad Retirement Act of 1974, amounts al-*  
 8        *lowed as a credit under subsection (e) of section 3510*  
 9        *of the Internal Revenue Code of 1954 shall be treated*  
 10        *as amounts covered into the Treasury under subsection*  
 11        *(a) of section 3201 of such Code.*

13            (6) *STATEMENTS FURNISHED TO EMPLOYEES.—Any written statement which is required to be*  
 14        *furnished to an employee under section 6051(a) with*  
 15        *respect to remuneration paid during 1984 shall in-*  
 16        *clude—*

18            (A) *the total amount which would have been*  
 19        *deducted and withheld as a tax under section*  
 20        *3101 if the credit allowable under section 3510*  
 21        *had not been taken into account, and*

22            (B) *the amount of the credit allowable under*  
 23        *section 3510.*



1 *SEC. 133. TAXES ON SELF-EMPLOYMENT INCOME; CREDIT*  
 2 *AGAINST SUCH TAXES.*

3 *(a) INCREASE IN RATES.—Subsections (a) and (b) of*  
 4 *section 1401 of the Internal Revenue Code of 1954 (relating*  
 5 *to rates of tax on self-employment income) are amended to*  
 6 *read as follows:*

7 *“(a) OLD-AGE, SURVIVORS, AND DISABILITY INSUR-*  
 8 *ANCE.—In addition to other taxes, there shall be imposed for*  
 9 *each taxable year, on the self-employment income of every*  
 10 *individual, a tax equal to the following percent of the amount*  
 11 *of the self-employment income for such taxable year:*

*“In the case of a taxable year*

<i>Beginning after:</i>	<i>And before:</i>	<i>Percent:</i>
<i>December 31, 1983.....</i>	<i>January 1, 1988.....</i>	<i>11.40</i>
<i>December 31, 1987.....</i>	<i>January 1, 1990.....</i>	<i>12.12</i>
<i>December 31, 1989.....</i>		<i>12.40</i>

12 *“(b) HOSPITAL INSURANCE.—In addition to the tax*  
 13 *imposed by the preceding subsection, there shall be imposed*  
 14 *for each taxable year, on the self-employment income of every*  
 15 *individual, a tax equal to the following percent of the amount*  
 16 *of the self-employment income for such taxable year:*

*“In the case of a taxable year*

<i>Beginning after:</i>	<i>And before:</i>	<i>Percent:</i>
<i>December 31, 1983.....</i>	<i>January 1, 1985.....</i>	<i>2.60</i>
<i>December 31, 1984.....</i>	<i>January 1, 1986.....</i>	<i>2.70</i>
<i>December 31, 1985.....</i>		<i>2.90.”</i>

1       (b) *CREDIT AGAINST SELF-EMPLOYMENT TAXES.*—  
 2       Section 1401 of such Code is amended by redesignating sub-  
 3       section (c) as subsection (d) and by inserting after subsection  
 4       (b) the following new subsection:

5       “(c) *CREDIT AGAINST TAXES IMPOSED BY THIS*  
 6       *SECTION.*—

7               “(1) *IN GENERAL.*—There shall be allowed as a  
 8       credit against the taxes imposed by this section for any  
 9       taxable year an amount equal to the applicable percent-  
 10      age of the self-employment income of the individual for  
 11      such taxable year.

12              “(2) *APPLICABLE PERCENTAGE.*—For purposes  
 13      of paragraph (1), the applicable percentage shall be de-  
 14      termined in accordance with the following table:

<i>“In the case of taxable years beginning in:</i>	<i>The applicable percentage is:</i>
1984.....	2.9
1985.....	2.5
1986.....	2.2
1987, 1988, or 1989 .....	2.1
1990 or thereafter.....	2.3.”.

15       (c) *EFFECTIVE DATE.*—The amendments made by this  
 16      section shall apply to taxable years beginning after December  
 17      31, 1983.

18      *PART D—MISCELLANEOUS FINANCING PROVISIONS*  
 19      *ALLOCATIONS TO DISABILITY INSURANCE TRUST FUND*

20      *SEC. 141. (a) Section 201(b)(1) of the Social Security*  
 21      *Act is amended by striking out clauses (K) through (M) and*  
 22      *inserting in lieu thereof the following: “(K) 1.65 per centum of*

1 *the wages (as so defined) paid after December 31, 1981, and*  
2 *before January 1, 1984, and so reported, (L) 1 per centum of*  
3 *the wages (as so defined) paid after December 31, 1983, and*  
4 *before January 1, 1988, and so reported, (M) 1.06 per*  
5 *centum of the wages (as so defined) paid after December 31,*  
6 *1987, and before January 1, 1990, and so reported, (N) 1.20*  
7 *per centum of the wages (as so defined) paid after December*  
8 *31, 1989, and before January 1, 2000, and (M) 1.30 per*  
9 *centum of the wages (as so defined) paid after December 31,*  
10 *1999, and so reported,”.*

11 *(b) Section 201(b)(2) of such Act is amended by striking*  
12 *out clauses (K) through (M) and inserting in lieu thereof the*  
13 *following: “(K) 1.2375 per centum of the amount of self-*  
14 *employment income (as so defined) so reported for any taxable*  
15 *year beginning after December 31, 1981, and before January 1,*  
16 *1984, (L) 1 per centum of the amount of self-employment*  
17 *income (as so defined) so reported for any taxable year*  
18 *beginning after December 31, 1983, and before January 1,*  
19 *1988, (M) 1.06 per centum of the amount of self-employment*  
20 *income (as so defined) so reported for any taxable year*  
21 *beginning after December 31, 1987, and before January 1,*  
22 *1990, (N) 1.20 per centum of the self-employment income (as*  
23 *so defined) so reported for any taxable year beginning after*  
24 *December 31, 1989, and before January 1, 2000, and (M)*  
25 *1.30 per centum of the amount of self-employment income (as*

1 so defined) so reported for any taxable year beginning after  
2 December 31, 1999,".

3 *INTERFUND BORROWING EXTENSION*

4 *SEC. 142. (a)(1) Section 201(l)(1) of the Social Secu-*  
5 *rity Act is amended—*

6 (A) by striking out "January 1983" and insert-  
7 ing in lieu thereof "January 1988"; and

8 (B) by inserting after "or" the second place it ap-  
9 pears ", subject to paragraph (5),".

10 (2) (A) Section 201(l)(2) of such Act is amended—

11 (i) by striking out "from time to time" and insert-  
12 ing in lieu thereof "on the last day of each month after  
13 such loan is made";

14 (ii) by striking out "interest" and inserting in  
15 lieu thereof "the total interest accrued to such day";  
16 and

17 (iii) by striking out "the loan were an investment  
18 under subsection (d)" and inserting in lieu thereof  
19 "such amount had remained in the Depositary Account  
20 established with respect to such lending Trust Fund  
21 under subsection (d) or section 1817(c)".

22 (B) The amendment made by this paragraph shall  
23 apply with respect to months beginning more than thirty days  
24 after the date of enactment of this Act.

25 (3) Section 201(l)(3) of such Act is amended—



1           (A) by inserting “(A)” after the paragraph designation; and

3           (B) by adding at the end thereof the following new subparagraphs:

5           “(B)(i) If on the last day of any year after a loan has  
6 been made under paragraph (1) by the Federal Hospital Insurance Trust Fund to the Federal Old Age and Survivors  
7 Trust Fund or the Federal Disability Insurance Trust Fund, the Managing Trustee determines that the OASDI  
8 trust fund ratio exceeds 15 percent, he shall transfer from the  
9 borrowing Trust Fund to the Federal Hospital Insurance Trust Fund an amount that—

13           “(I) together with any amounts transferred from  
14 another borrowing Trust Fund under this paragraph for such year, will reduce the OASDI trust fund ratio  
15 to 15 percent; and

17           “(II) does not exceed the outstanding balance of such loan.

19           “(ii) Amounts required to be transferred under clause  
20 (i) shall be transferred on the last day of the first month of  
21 the year succeeding the year in which the determination described in clause (i) is made.

23           “(iii) For purposes of this subparagraph, the term  
24 ‘OASDI trust fund ratio’ means, with respect to any calendar year, the ratio of—  
25

1           “(I) the combined balance in the Federal Old Age  
2           and Survivors Insurance Trust Fund and the Federal  
3           Disability Insurance Trust Fund, reduced by the out-  
4           standing amount of any loan (including interest there-  
5           on) theretofore made to either such Fund from the Fed-  
6           eral Hospital Insurance Trust Fund, as of the last day  
7           of such calendar year, to

8           “(II) the amount estimated by the Secretary to be  
9           the total amount to be paid from the Federal Old Age  
10          and Survivors Insurance Trust Fund and the Federal  
11          Disability Insurance Trust Fund during the calendar  
12          year following such calendar year for all purposes au-  
13          thorized by section 201 (other than payments of inter-  
14          est on, and repayments of, loans from the Federal Hos-  
15          pital Insurance Trust Fund under paragraph (1)), but  
16          excluding any transfer payments between such trust  
17          funds and reducing the amount of any transfer to the  
18          Railroad Retirement Account by the amount of any  
19          transfers into either such trust fund from that Account.

20          “(C)(i) The full amount of all loans made under para-  
21          graph (1) (whether made before or after January 1, 1983)  
22          shall be repaid at the earliest feasible date and in any event  
23          no later than December 31, 1989.

24          “(ii) For the period after December 31, 1987, and  
25          before January 1, 1990, the Managing Trustee shall transfer

1 *each month to the Federal Hospital Insurance Trust Fund*  
2 *from any Trust Fund with any amount outstanding on a*  
3 *loan made from the Federal Hospital Insurance Trust Fund*  
4 *under paragraph (1) an amount equal to one twenty-fourth of*  
5 *the amount owed to the Federal Hospital Insurance Trust*  
6 *Fund by such Trust Fund at the beginning of such period*  
7 *(plus the interest accrued on the outstanding balance of such*  
8 *loan during such month).”.*

9       (4) *Section 201(l) of such Act is further amended by*  
10 *adding at the end thereof the following new paragraph:*

11       “(5)(A) *No amounts may be borrowed from the Federal*  
12 *Hospital Insurance Trust Fund under paragraph (1) during*  
13 *any month if the Hospital Insurance Trust Fund ratio for*  
14 *such month is less than 10 percent.*

15       “(B) *For purposes of this paragraph, the term ‘Hospital*  
16 *Insurance trust fund ratio’ means, with respect to any*  
17 *month, the ratio of—*

18       “(i) *the balance in the Federal Hospital Insur-*  
19 *ance Trust Fund, reduced by the outstanding amount*  
20 *of any loan (including interest thereon) theretofore*  
21 *made to such Trust Fund under this subsection, as of*  
22 *the last day of the second month preceding such month,*  
23 *to*

24       “(ii) *the amount obtained by multiplying by*  
25 *twelve the total amount which (as estimated by the*

1        *Secretary) will be paid from the Federal Hospital In-*  
2        *surance Trust Fund during the month for which such*  
3        *ratio is to be determined (other than payments of inter-*  
4        *est on, or repayments of loans from another Trust*  
5        *Fund under this subsection), and reducing the amount*  
6        *of any transfers to the Railroad Retirement Account by*  
7        *the amount of any transfer into the Hospital Insurance*  
8        *Trust Fund from that Account.”.*

9        *(b)(1) Section 1817(j)(1) of such Act is amended—*

10            *(A) by striking out “January 1983” and insert-*  
11            *ing in lieu thereof “January 1988”; and*

12            *(B) by inserting “, subject to paragraph (5),”*  
13            *after “may”.*

14        *(2)(A) Section 1817(j)(2) of such Act is amended—*

15            *(i) by striking out “from time to time” and insert-*  
16            *ing in lieu thereof “on the last day of each month after*  
17            *such loan is made”;*

18            *(ii) by striking out “interest” and inserting in*  
19            *lieu thereof “the total interest accrued to such day”;*  
20            *and*

21            *(iii) by striking out “the loan were an investment*  
22            *under subsection (c)” and inserting in lieu thereof*  
23            *“such amount had remained in the Depositary Account*  
24            *established with respect to such lending Trust Fund*  
25            *under section 201(d)”.*



1       (B) *The amendment made by this paragraph shall*  
2 *apply with respect to months beginning more than 30 days*  
3 *after the date of enactment of this Act.*

4       (3) *Section 1817(j)(3) of such Act is amended—*

5           (A) *by inserting “(A)” after the paragraph desig-*  
6 *nation; and*

7           (B) *by adding at the end thereof the following*  
8 *new subparagraphs:*

9       “(B)(i) *If on the last day of any year after a loan has*  
10 *been made under paragraph (1) by the Federal Old Age and*  
11 *Survivors Insurance Trust Fund or the Federal Disability*  
12 *Insurance Trust Fund to the Federal Hospital Insurance*  
13 *Trust Fund, the Managing Trustee determines that the Hos-*  
14 *pital Insurance Trust Fund ratio exceeds 15 percent, he*  
15 *shall transfer from such Trust Fund to the lending trust fund*  
16 *an amount that—*

17           “(I) *together with any amounts transferred to an-*  
18 *other lending trust fund under this paragraph for such*  
19 *year, will reduce Hospital Insurance Trust Fund ratio*  
20 *to 15 percent; and*

21           “(II) *does not exceed the outstanding balance of*  
22 *such loan.*

23       “(ii) *Amounts required to be transferred under clause*  
24 *(i) shall be transferred on the last day of the first month of*

1 *the year succeeding the year in which the determination de-*  
 2 *scribed in clause (i) is made.*

3       “(iii) *For purposes of this subparagraph, the term ‘Hos-*  
 4 *pital Insurance Trust Fund ratio’ means, with respect to any*  
 5 *calendar year, the ratio of—*

6               “(I) *the balance in the Federal Hospital Insur-*  
 7 *ance Trust Fund, reduced by the amount of any out-*  
 8 *standing loan (including interest thereon) from the*  
 9 *Federal Old Age and Survivors Insurance Trust Fund*  
 10 *and the Federal Disability Insurance Trust Fund, as*  
 11 *of the last day of such calendar year; to*

12               “(II) *the amount estimated by the Secretary to be*  
 13 *the total amount to be paid from the Federal Hospital*  
 14 *Insurance Trust Fund during the calendar year fol-*  
 15 *lowing such calendar year (other than payments of in-*  
 16 *terest on, and repayments of, loans from the Federal*  
 17 *Old Age and Survivors Insurance Trust Fund and the*  
 18 *Federal Disability Insurance Trust Fund under para-*  
 19 *graph (1)), and reducing the amount of any transfer to*  
 20 *the Railroad Retirement Account by the amount of any*  
 21 *transfers into such Trust Fund from the Railroad Re-*  
 22 *tirement Account.*

23               “(C)(i) *The full amount of all loans made under para-*  
 24 *graph (1) (whether made before or after January 1, 1983)*

1 *shall be repaid at the earliest feasible date and in any event*  
 2 *no later than December 31, 1989.”.*

3       “(ii) *For the period after December 31, 1987 and before*  
 4 *January 1, 1990, the Managing Trustee shall transfer each*  
 5 *month from the Federal Hospital Insurance Trust Fund to*  
 6 *any Trust Fund that is owed any amount by the Federal*  
 7 *Hospital Insurance Trust Fund on a loan made under para-*  
 8 *graph (1), an amount equal to 1/24 of the amount owed to*  
 9 *such Trust Fund by the Federal Hospital Insurance Trust*  
 10 *Fund at the beginning of such period (plus the interest ac-*  
 11 *crued on the outstanding balance of such loan during such*  
 12 *month).”.*

13       (4) *Section 1817(j) of such Act is further amended by*  
 14 *adding at the end thereof the following new paragraph:*

15       “(5)(A) *No amounts may be loaned by the Federal Old*  
 16 *Age and Survivors Insurance Trust Fund or the Federal*  
 17 *Disability Insurance Trust Fund under paragraph (1)*  
 18 *during any month if the OASDI trust fund ratio for such*  
 19 *month is less than 10 percent.*

20       “(B) *For purposes of this paragraph, the term ‘OASDI*  
 21 *trust fund ratio’ means, with respect to any month, the ratio*  
 22 *of—*

23       “(i) *the combined balance in the Federal Old Age*  
 24 *and Survivors Insurance Trust Fund and the Federal*  
 25 *Disability Insurance Trust Fund, reduced by the out-*

1     *standing amount of any loan (including interest there-*  
 2     *on) theretofore made to either such Trust Fund from*  
 3     *the Federal Hospital Insurance Trust Fund under sec-*  
 4     *tion 201(l), as of the last day of the second month pre-*  
 5     *ceding such month, to*

6             *“(ii) the amount obtained by multiplying by*  
 7     *twelve the total amount which (as estimated by the*  
 8     *Secretary) will be paid from the Federal Old Age and*  
 9     *Survivors Insurance Trust Fund and the Federal Dis-*  
 10    *ability Insurance Trust Fund during the month for*  
 11    *which such ratio is to be determined for all purposes*  
 12    *authorized by section 201 (other than payments of in-*  
 13    *terest on, or repayments of, loans from the Federal*  
 14    *Hospital Insurance Trust Fund under section 201(l)),*  
 15    *but excluding any transfer payments between such*  
 16    *trust funds and reducing the amount of any transfers*  
 17    *to the Railroad Retirement Account by the amount of*  
 18    *any transfers into either such trust fund from that Ac-*  
 19    *count.”.*

20     *CREDITING AMOUNTS OF UNNEGOTIATED CHECKS TO*  
 21             *TRUST FUNDS*

22     *SEC. 143. (a) The Secretary of the Treasury shall take*  
 23    *such actions as may be necessary to ensure that amounts of*  
 24    *checks for benefits under title II of the Social Security Act*  
 25    *which have not been presented for payment within a reason-*



1 able length of time (not to exceed twelve months) after issu-  
2 ance are credited to the Federal Old-Age and Survivors In-  
3 surance Trust Fund or the Federal Disability Insurance  
4 Trust Fund, whichever may be the fund from which the check  
5 was issued. Amounts of any such check shall be recharged to  
6 the fund from which they were issued if payment is subse-  
7 quently made on such check.

8       (b)(1) The Secretary of the Treasury shall transfer from  
9 the general fund of the Treasury to the Federal Old-Age and  
10 Survivors Insurance Trust Fund and to the Federal Disabil-  
11 ity Insurance Trust Fund, as appropriate, such sums as may  
12 be necessary to reimburse such Trust Funds in the total  
13 amounts of all currently unnegotiated benefit checks. After  
14 the amounts appropriated by this subsection have been trans-  
15 ferred to the Trust Funds, the provisions of subsection (a)  
16 shall be applicable. There are hereby appropriated into such  
17 Trust Funds such sums as may be necessary to reimburse  
18 such Trust Funds for the amount of currently unnegotiated  
19 benefit checks. The first such transfer shall be made within  
20 thirty days after the date of the enactment of this Act with  
21 respect to all such unnegotiated checks as of such date of  
22 enactment.

23       (2) As used in paragraph (1), the term "currently unne-  
24 gotiated benefit checks" means the checks issued under title  
25 II of the Social Security Act prior to the date of the enact-

1 *ment of this Act, which remain unnegotiated after the twelfth*  
 2 *month following the date on which they were issued.*

3 *TRANSFER TO TRUST FUNDS FOR BENEFITS*

4 *ATTRIBUTABLE TO MILITARY SERVICE BEFORE 1957*

5 *SEC. 144. (a) Section 217(g) of the Social Security Act*  
 6 *is amended to read as follows:*

7 *“APPROPRIATION TO TRUST FUNDS*

8 *“(g)(1) Within thirty days after the date of the enact-*  
 9 *ment of the Social Security Amendments of 1983, the Secre-*  
 10 *tary shall determine the amount equal to the excess of—*

11 *“(A) the actuarial present value as of such date of*  
 12 *enactment of the past and future benefit payments from*  
 13 *the Federal Old-Age and Survivors Insurance Trust*  
 14 *Fund, the Federal Disability Insurance Trust Fund,*  
 15 *and the Federal Hospital Insurance Trust Fund under*  
 16 *this title and title XVIII, together with associated ad-*  
 17 *ministrative costs, resulting from the operation of this*  
 18 *section (other than this subsection) and section 210 of*  
 19 *this Act as in effect before the enactment of the Social*  
 20 *Security Act Amendments of 1950, over*

21 *“(B) any amounts previously transferred from the*  
 22 *general fund of the Treasury to such Trust Funds pur-*  
 23 *suant to the provisions of this subsection as in effect*  
 24 *immediately before the date of the enactment of the*  
 25 *Social Security Amendments of 1983.*

1 *Such actuarial present value shall be based on the relevant*  
2 *actuarial assumptions set forth in the report of the Board of*  
3 *Trustees of each such Trust Fund for 1983 under sections*  
4 *201(c) and 1817(b). Within thirty days after the date of the*  
5 *enactment of the Social Security Amendments of 1983, the*  
6 *Secretary of the Treasury shall transfer the amount deter-*  
7 *mined under this paragraph with respect to each such Trust*  
8 *Fund to such Trust Fund from amounts in the general fund*  
9 *of the Treasury not otherwise appropriated.*

10       “(2) *The Secretary shall revise the amount determined*  
11 *under paragraph (1) with respect to each such Trust Fund in*  
12 *1985 and each fifth year thereafter, as determined appropri-*  
13 *ate by the Secretary from data which becomes available to*  
14 *him after the date of the determination under paragraph (1)*  
15 *on the basis of the amount of benefits and administrative*  
16 *expenses actually paid from such Trust Fund under this title*  
17 *or title XVIII and the relevant actuarial assumptions set*  
18 *forth in the report of the Board of Trustees of such Trust*  
19 *Fund for such year under section 201(c) or 1817(b). Within*  
20 *30 days after any such revision, the Secretary of the Treas-*  
21 *ury, to the extent provided in advance in appropriation Acts,*  
22 *shall transfer to such Trust Fund, from amounts in the gen-*  
23 *eral fund of the Treasury not otherwise appropriated, or from*  
24 *such Trust Fund to the general fund of the Treasury, such*

1 *amounts as the Secretary of the Treasury determines neces-*  
2 *sary to compensate for such revision.”.*

3 *PAYMENTS TO TRUST FUNDS OF AMOUNTS EQUIVALENT*  
4 *TO TAXES ON SERVICE IN THE UNIFORMED SERV-*  
5 *ICES PERFORMED AFTER 1956*

6 *SEC. 145. (a) Section 229(b) of the Social Security*  
7 *Act is amended to read as follows:*

8 *“(b) There are authorized to be appropriated to each of*  
9 *the Trust Funds, consisting of the Federal Old-Age and Sur-*  
10 *vivors Insurance Trust, the Federal Disability Insurance*  
11 *Trust Fund, and the Federal Hospital Insurance Trust*  
12 *Fund, for transfer on July 1 of each calendar year to such*  
13 *Trust Fund from amounts in the general fund in the Treas-*  
14 *ury not otherwise appropriated, an amount equal to the total*  
15 *of the additional amounts which would be appropriated to*  
16 *such Trust Fund for the fiscal year ending September 30 of*  
17 *such calendar year under section 201 or 1817 of this Act if*  
18 *the amounts of the additional wages deemed to have been paid*  
19 *for such calendar year by reason of subsection (a) constituted*  
20 *remuneration for employment (as defined in section 3121(b)*  
21 *of the Internal Revenue Code of 1954) for purposes of the*  
22 *taxes imposed by sections 3101 and 3111 of the Internal*  
23 *Revenue Code of 1954. Amounts authorized to be appropri-*  
24 *ated under this subsection for transfer on July 1 of each cal-*  
25 *endar year shall be determined on the basis of estimates of*



1 *the Secretary of the wages deemed to be paid for such calen-*  
2 *dar year under subsection (a); and proper adjustments shall*  
3 *be made in amounts authorized to be appropriated for subse-*  
4 *quent transfer to the extent prior estimates were in excess of*  
5 *or were less than such wages so deemed to be paid."*

6       *(b) The amendment made by subsection (a) shall be ef-*  
7 *fective with respect to wages deemed to have been paid for*  
8 *calendar years after 1983.*

9       *(c)(1) Within thirty days after the date of the enactment*  
10 *of this Act, the Secretary of Health and Human Services*  
11 *shall determine the additional amounts which would have*  
12 *been appropriated into the Federal Old-Age and Survivors*  
13 *Insurance Trust Fund, the Federal Disability Insurance*  
14 *Trust Fund, and the Federal Hospital Insurance Trust*  
15 *Fund under sections 201 and 1817 of the Social Security*  
16 *Act, if the additional wages deemed to have been paid under*  
17 *section 229(a) of the Social Security Act prior to 1984 had*  
18 *constituted remuneration for employment (as defined in sec-*  
19 *tion 3121(b) of the Internal Revenue Code of 1954) for pur-*  
20 *poses of the taxes imposed by sections 3101 and 3111 of the*  
21 *Internal Revenue Code of 1954, and the amount of interest*  
22 *which would have been earned on such amounts if they had*  
23 *been so appropriated.*

24       *(2)(A) The Secretary of the Treasury shall, within*  
25 *thirty days after the date of the enactment of this Act, trans-*

1 *fer into each such Trust Fund, from the general fund in the*  
2 *Treasury, an amount equal to the amount determined with*  
3 *respect to such Trust Fund under paragraph (1), less any*  
4 *amount appropriated into such Trust Fund under the provi-*  
5 *sions of section 229(b) of the Social Security Act prior to the*  
6 *date of the determination made under paragraph (1) with re-*  
7 *spect to wages deemed to have been paid for calendar years*  
8 *prior to 1984. There are hereby appropriated into such Trust*  
9 *Funds sums equal to the amounts to be transferred in accord-*  
10 *ance with this subparagraph into such Trust Funds.*

11       *(B) The Secretary shall revise the amount determined*  
12 *under subparagraph (A) within one year after the date of the*  
13 *transfer made under paragraph (1), as warranted by data*  
14 *which may become available to him after the date of the*  
15 *transfer under subparagraph (A) based upon actual benefits*  
16 *paid under this title and title XVIII. Any amounts deter-*  
17 *mined to be needed for transfer shall be transferred by the*  
18 *Secretary of the Treasury into the appropriate Trust Fund*  
19 *from the general fund in the Treasury, or out of the appropri-*  
20 *ate Trust Fund into the general fund in the Treasury, as*  
21 *may be appropriate. There are authorized to be appropriated*  
22 *to such Trust Funds sums equal to the amounts to be trans-*  
23 *ferred in accordance with this subparagraph into such Trust*  
24 *Funds.*

1            *TRUST FUND INVESTMENT PROCEDURE*

2            *SEC. 146. (a) Section 201 of the Social Security Act is*  
3 *amended by striking out subsections (d), (e), and (f) and in-*  
4 *serting in lieu thereof the following new subsections:*

5            *“(d) There are hereby created on the books of the Treas-*  
6 *ury of the United States an account to be known as the Old-*  
7 *Age and Survivors Insurance Depository Account and an*  
8 *account to be known as the Disability Insurance Depository*  
9 *Account.*

10           *“(e) The Managing Trustee shall deposit that portion of*  
11 *the Federal Old-Age and Survivors Insurance Trust Fund*  
12 *not required to meet current withdrawals from such Trust*  
13 *Fund in the Old-Age and Survivors Insurance Depository*  
14 *Account and that portion of the Federal Disability Insurance*  
15 *Trust Fund not required to meet current withdrawals from*  
16 *such Trust Fund in the Disability Insurance Depository Ac-*  
17 *count.*

18           *“(f)(1) The Secretary of the Treasury may apply*  
19 *moneys deposited in an account pursuant to subsection (e) in*  
20 *any way in which he is authorized by law to apply moneys*  
21 *in the general fund of the Treasury.*

22           *“(2)(A) Moneys deposited in an account pursuant to*  
23 *subsection (e) shall be treated as indebtedness of the United*  
24 *States for purposes of section 1305(2) of title 31, United*  
25 *States Code, and shall earn interest, payable monthly, in an*

1 amount equal to the product obtained by multiplying the  
2 average balance of moneys in the account for such month by  
3 the average market yield (computed by the Managing Trustee  
4 on the basis of market quotations as of the end of each busi-  
5 ness day of such month) on all marketable interest-bearing  
6 obligations of the United States then forming a part of the  
7 public debt which are not due or callable until after the expi-  
8 ration of four years from the end of such month, except that  
9 'flower bonds' shall not be included in such computation.

10       “(B) For purposes of this paragraph, the term ‘flower  
11 bond’ means a United States Treasury bond which was  
12 issued before March 4, 1971 and which may, at the option of  
13 the duly constituted representatives of the estate of a deceased  
14 individual, be redeemed at par (face) value, plus accrued in-  
15 terest to the date of payment, if—

16               “(i) it was owned by such deceased individual at  
17 the time of his death,

18               “(ii) it is part of the estate of such deceased indi-  
19 vidual, and

20               “(iii) such representatives authorize the Secretary  
21 of the Treasury to apply the entire proceeds of the re-  
22 demption of such bond to the payment of Federal estate  
23 taxes.

24       “(3) The Managing Trustee may withdraw moneys de-  
25 posited in an account pursuant to subsection (e) whenever he



1 *determines that such moneys are necessary to meet current*  
2 *withdrawals from the Trust Fund which deposited such*  
3 *moneys, and the Secretary of the Treasury may sell obliga-*  
4 *tions of the United States in the market in an amount not to*  
5 *exceed the amount of such withdrawal if he determines that*  
6 *such withdrawal necessitates an increase in the general fund*  
7 *of the Treasury by an amount not exceeding such amount.”.*

8       *(b) Section 1817 of such Act is amended by striking out*  
9 *subsections (c), (d), and (e) and inserting in lieu thereof the*  
10 *following new subsections:*

11       *“(c) There is hereby created on the books of the Treas-*  
12 *ury of the United States an account to be known as the Hos-*  
13 *pital Insurance Depositary Account.*

14       *“(d) The Managing Trustee shall deposit that portion of*  
15 *the Federal Hospital Insurance Trust Fund not required to*  
16 *meet current withdrawals from such Trust Fund in the Hos-*  
17 *pital Insurance Depositary Account.*

18       *“(e)(1) The Secretary of the Treasury may apply*  
19 *moneys deposited in the account pursuant to subsection (d) in*  
20 *any way in which he is authorized by law to apply moneys*  
21 *in the general fund of the Treasury.*

22       *“(2)(A) Moneys deposited in the account pursuant to*  
23 *subsection (d) shall be treated as indebtedness of the United*  
24 *States for purposes of section 1305(2) of title 31, United*  
25 *States Code, and shall earn interest, payable monthly, in an*

1 amount equal to the product obtained by multiplying the  
2 average balance of moneys in the account for such month by  
3 the average market yield (computed by the Managing Trustee  
4 on the basis of market quotations as of the end of each busi-  
5 ness day of such month) on all marketable interest-bearing  
6 obligations of the United States then forming a part of the  
7 public debt which are not due or callable until after the expi-  
8 ration of four years from the end of such month, except that  
9 'flower bonds' shall not be included in such computation.

10       “(B) For purposes of this paragraph, the term ‘flower  
11 bond’ means a United States Treasury bond which was  
12 issued before March 4, 1971, and which may, at the option of  
13 the duly constituted representatives of the estate of a deceased  
14 individual, be redeemed at par (face) value, plus accrued in-  
15 terest to the date of payment, if—

16               “(i) it was owned by such deceased individual at  
17 the time of his death,

18               “(ii) it is part of the estate of such deceased indi-  
19 vidual, and

20               “(iii) such representatives authorize the Secretary  
21 of the Treasury to apply the entire proceeds of the re-  
22 demption of such bond to the payment of Federal estate  
23 taxes.

24       “(3) The Managing Trustee may withdraw moneys de-  
25 posited in the account pursuant to subsection (d) whenever he

1 *determines that such moneys are necessary to meet current*  
2 *withdrawals from the Trust Fund, and the Secretary of the*  
3 *Treasury may sell obligations of the United States in the*  
4 *market in an amount not to exceed the amount of such with-*  
5 *drawal if he determines that such withdrawal necessitates an*  
6 *increase in the general fund of the Treasury by an amount*  
7 *not exceeding such amount."*

8       (c) Section 1841 of such Act is amended by striking out  
9 subsections (c), (d), and (e) and inserting in lieu thereof the  
10 following new subsections:

11       “(c) There is hereby established on the books of the  
12 Treasury an account to be known as the Supplementary  
13 Medical Insurance Depositary Account.

14       “(d) The Managing Trustee shall deposit that portion of  
15 the Federal Supplementary Medical Insurance Trust Fund  
16 not required to meet current withdrawals from such Trust  
17 Fund in the Supplementary Medical Insurance Depositary  
18 Account.

19       “(e)(1) The Secretary of the Treasury may apply  
20 moneys deposited in the account pursuant to subsection (d) in  
21 any way in which he is authorized by law to apply moneys  
22 in the general fund of the Treasury.

23       “(2)(A) Moneys deposited in the account pursuant to  
24 subsection (d) shall be treated as indebtedness of the United  
25 States for purposes of section 1305(2) of title 31, United

1 *States Code, and shall earn interest, payable monthly, in an*  
2 *amount equal to the product obtained by multiplying the*  
3 *average balance of moneys in the account for such month by*  
4 *the average market yield (computed by the Managing Trustee*  
5 *on the basis of market quotations as of the end of each busi-*  
6 *ness day of such month) on all marketable interest-bearing*  
7 *obligations of the United States then forming a part of the*  
8 *public debt which are not due or callable until after the expi-*  
9 *ration of four years from the end of such month, except that*  
10 *'flower bonds' shall not be included in such computation.*

11       “(B) *For purposes of this paragraph, the term 'flower*  
12 *bond' means a United States Treasury bond which was*  
13 *issued before March 4, 1971, and which may, at the option of*  
14 *the duly constituted representatives of the estate of a deceased*  
15 *individual, be redeemed at par (face) value, plus accrued in-*  
16 *terest to the date of payment, if—*

17       “(i) *it was owned by such deceased individual at*  
18 *the time of his death,*

19       “(ii) *it is part of the estate of such deceased indi-*  
20 *vidual, and*

21       “(iii) *such representatives authorize the Secretary*  
22 *of the Treasury to apply the entire proceeds of the re-*  
23 *demption of such bond to the payment of Federal estate*  
24 *taxes.*



1       “(3) *The Managing Trustee may withdraw moneys de-*  
2 *posited in the account pursuant to subsection (d) whenever he*  
3 *determines that such moneys are necessary to meet current*  
4 *withdrawals from the Trust Fund, and the Secretary of the*  
5 *Treasury may sell obligations of the United States in the*  
6 *market in an amount not to exceed the amount of such with-*  
7 *drawal if he determines that such withdrawal necessitates an*  
8 *increase in the general fund of the Treasury by an amount*  
9 *not exceeding such amount.”.*

10       *(d)(1) No later than the date on which this section takes*  
11 *effect, the Secretary of the Treasury shall redeem at par all*  
12 *outstanding obligations of the United States issued under the*  
13 *Second Liberty Bond Act exclusively for purchase by the*  
14 *Federal Old-Age Insurance Trust Fund, the Federal Dis-*  
15 *ability Insurance Trust Fund, the Federal Hospital Insur-*  
16 *ance Trust Fund, and the Federal Supplementary Medical*  
17 *Insurance Trust Fund (hereinafter in this subsection re-*  
18 *ferred to as the “Trust Funds”).*

19       *(2)(A) The Managing Trustee may sell any marketable*  
20 *obligation of the United States held by the Trust Funds at*  
21 *market price at any time and shall sell (or redeem) all*  
22 *“flower bonds” held by the Trust Funds on the date of enact-*  
23 *ment of this section at market price no later than the date on*  
24 *which this section takes effect.*

1       (B) For purposes of this paragraph, the term “flower  
2 bond” means a United States Treasury bond which was  
3 issued before March 4, 1971, and which may, at the option of  
4 the duly constituted representatives of the estate of a deceased  
5 individual, be redeemed at par (face) value, plus accrued in-  
6 terest to the date of payment, if—

7           (i) it was owned by such deceased individual at  
8 the time of his death,

9           (ii) it is part of the estate of such deceased indi-  
10 vidual, and

11           (iii) such representatives authorize the Secretary  
12 of the Treasury to apply the entire proceeds of the re-  
13 demption of such bond to the payment of Federal estate  
14 taxes.

15       (3) The proceeds from the redemption and sale of obliga-  
16 tions of the United States pursuant to paragraphs (1) and  
17 (2) shall be paid to the Trust Fund selling or redeeming such  
18 obligations and that portion of such proceeds which is not  
19 required to meet current withdrawals from such Trust Fund  
20 shall be deposited in the account established with respect to  
21 such Trust Fund by subsection (a), (b), or (c) of this Act.

22       (e) The amendments made by this section shall take  
23 effect on the first day of the first month beginning more than  
24 30 days after the date of enactment of this Act.

1    *ADDITION OF PUBLIC MEMBERS TO TRUST FUND BOARDS*  
2                                    *OF TRUSTEES*

3        *SEC. 147. (a) Sections 201(c), 1817(b), and 1841(b) of*  
4 *the Social Security Act are each amended—*

5            *(1) by striking out the period at the end of the*  
6 *first sentence and inserting in lieu thereof a comma*  
7 *and “and of two members of the public (both of whom*  
8 *may not be from the same political party), who shall be*  
9 *nominated by the President for a term of four years*  
10 *and subject to confirmation by the Senate; and*

11           *(2) by adding at the end thereof the following new*  
12 *sentence: “A member of the public serving on the*  
13 *Board of Trustees shall not be considered to be a fidu-*  
14 *ciary and shall not be personally liable for actions*  
15 *taken in such capacity with respect to the Trust*  
16 *Funds.”.*

17        *(b) The amendments made by subsection (a) shall*  
18 *become effective on the date of enactment of this Act.*

19                    *PAYMENT SCHEDULE BY STATE AND LOCAL*  
20                                    *GOVERNMENTS*

21        *SEC. 148. (a) Section 218(e)(1)(A) of the Social Secu-*  
22 *rity Act is amended by striking out “within the thirty-day*  
23 *period immediately following the last day of each calendar*  
24 *month” and inserting in lieu thereof “in accordance with the*  
25 *same payment schedule as applies to payment by employers*

1 of the taxes imposed under sections 3101 and 3111 of the  
2 Internal Revenue Code of 1954”.

3 (b) The amendment made by subsection (a) shall be ef-  
4 fective with respect to payments due on or after January 1,  
5 1984.

6 NORMALIZED CREDITING OF SOCIAL SECURITY TAXES TO  
7 TRUST FUNDS

8 SEC. 149. (a) Section 201(a) of the Social Security  
9 Act is amended by striking out “The amounts appropriated”  
10 in the last sentence and inserting in lieu thereof “Except as  
11 provided in subsection (m), the amounts appropriated”.

12 (b) Section 201 of such Act is further amended by  
13 adding at the end thereof the following new subsection:

14 “(m)(1) The procedures in effect on January 1, 1983,  
15 with respect to the transfer of the amounts appropriated by  
16 clauses (3) and (4) of subsection (a) and the amounts appro-  
17 priated by clauses (1) and (2) of subsection (b) shall apply to  
18 a calendar month unless the Secretary makes a finding  
19 under this paragraph that the OASDI trust fund ratio as of  
20 the first day of such calendar month is less than 12 percent.

21 “(2) If the Secretary makes the finding described in  
22 paragraph (1) with respect to a calendar month, the amounts  
23 appropriated by clauses (3) and (4) shall be transferred on  
24 the first day of such calendar month from the general fund of  
25 the Treasury to the Federal Old-Age and Survivors Insur-



1    *ance Trust Fund, and the amounts appropriated by clauses*  
2    *(1) and (2) of subsection (b) shall be transferred on the first*  
3    *day of such calendar month from the general fund of the*  
4    *Treasury to the Federal Disability Insurance Trust Fund,*  
5    *such amounts to be determined on the basis of estimates by*  
6    *the Secretary of the Treasury of the taxes, specified in*  
7    *clauses (3) and (4) of subsection (a), to be paid to or deposit-*  
8    *ed into the Treasury during such calendar month.*

9        *“(3) Proper adjustments shall be made in amounts sub-*  
10    *sequently transferred to the extent prior estimates were in*  
11    *excess of or were less than the taxes specified in clauses (3)*  
12    *and (4) of subsection (a).*

13        *“(4) All amounts transferred to either Trust Fund*  
14    *under paragraph (2) shall be treated by the Managing*  
15    *Trustee in the same manner and to the same extent as the*  
16    *other assets of such Trust Fund; and such Trust Fund shall*  
17    *pay interest to the general fund on the amount so transferred*  
18    *at a rate (calculated on a daily basis, and applied against the*  
19    *difference between the amount so transferred on such first*  
20    *day and the amount which would have been transferred to the*  
21    *Trust Fund up to that day under the procedures in effect on*  
22    *January 1, 1983) equal to the average 91-day Treasury bill*  
23    *rate during such month (payable on the last day of such*  
24    *month).*

1       “(5) For purposes of this subsection, the term ‘OASDI  
2 trust fund ratio’ means, with respect to any month, the ratio  
3 of—

4               “(A) the combined balance in the Federal Old-  
5 Age and Survivors Insurance Trust Fund and the  
6 Federal Disability Insurance Trust Fund, reduced by  
7 the outstanding amount of any loan (including interest  
8 thereon) theretofore made to either such Trust Fund  
9 from the Federal Hospital Insurance Trust Fund  
10 under subsection (l), and determined without regard to  
11 amounts transferred theretofore under this subsection,  
12 as of the last day of the second month preceding such  
13 month, to

14               “(B) the amount obtained by multiplying by  
15 twelve the total amount which (as estimated by the  
16 Secretary) will be paid from the Federal Old-Age and  
17 Survivors Insurance Trust Fund and the Federal Dis-  
18 ability Insurance Trust Fund during the month for  
19 which such ratio is to be determined for all purposes  
20 authorized by section 201 (other than payments of in-  
21 terest on, or repayments of, loans from the Federal  
22 Hospital Insurance Trust Fund under subsection (l)),  
23 but excluding any transfer payments between such  
24 trust funds and reducing the amount of any transfers  
25 to the Railroad Retirement Account by the amount of

any transfers into either such trust fund from that Account.”.

(c) The amendments made by this section shall apply to calendar months beginning after the date of enactment of this section and before January 1, 1988.

AMOUNTS RECEIVED UNDER CERTAIN DEFERRED COMPENSATION AND SALARY REDUCTION ARRANGEMENTS TREATED AS WAGES FOR FICA TAXES

SEC. 150. (a)(1) Section 3121 of the Internal Revenue Code of 1954 (relating to definitions) is amended by adding at the end thereof the following new subsection:

“(v) TREATMENT OF CERTAIN DEFERRED COMPENSATION AND SALARY REDUCTION ARRANGEMENTS.—

“(1) CERTAIN EMPLOYER CONTRIBUTIONS TREATED AS WAGES.—Nothing in any paragraph of subsection (a) (other than paragraph (1)) shall exclude from the term ‘wages’ any employer contribution—

“(A) under a qualified cash or deferred arrangement (as defined in section 401(k)) to the extent not included in gross income by reason of section 402(a)(8), or

“(B) under a cafeteria plan (as defined in section 125(d)) which includes an arrangement described in subparagraph (A) to the extent the employee had the right to choose cash, property, or

1            *other benefits which would be wages for purposes*  
 2            *of this chapter.*

3            *“(2) GOVERNMENTAL PLANS.—For purposes of*  
 4            *subsection (a)—*

5            *“(A) IN GENERAL.—Except as provided in*  
 6            *subparagraph (B), the term ‘wages’ shall not in-*  
 7            *clude any payment to or from a Governmental*  
 8            *plan (within the meaning of section 414(d)).*

9            *“(B) EXCEPTIONS.—The term ‘wages’ shall*  
 10           *include any amount—*

11           *“(i) deferred under a plan described in*  
 12           *section 457(a) (at the time the services which*  
 13           *relate to such payment were performed),*

14           *“(ii) deferred under a plan described in*  
 15           *subsection (e)(1), (e)(2)(D), or (e)(2)(E) of*  
 16           *section 457, or*

17           *“(iii) which is treated as wages under*  
 18           *subsection (a)(5)(E) by reason of a salary*  
 19           *reduction agreement.”.*

20           *(2) Paragraph (5) of section 3121(a) of such Code (de-*  
 21           *fining wages) is amended—*

22           *(A) by striking out “or” at the end of subpara-*  
 23           *graph (C),*



1       (B) by striking out the semicolon at the end of  
2       subparagraph (D) and inserting in lieu thereof a  
3       comma and “or”, and

4       (C) by adding at the end thereof the following  
5       new subparagraph:

6       “(E) under an annuity contract described in sec-  
7       tion 403(b), other than a payment for the purchase of  
8       such contract which is made by reason of a salary re-  
9       duction agreement;”.

10      (3) Subsection (a) of section 3121 of such Code (defin-  
11      ing wages) is amended—

12      (A) in paragraph (2), by striking out subpara-  
13      graph (A) and redesignating subparagraphs (B), (C),  
14      and (D) as subparagraphs (A), (B), and (C), respec-  
15      tively,

16      (B) by striking out paragraphs (3) and (9),

17      (C) in paragraph (13)(A)—

18          (i) by inserting “or” after “death,”, and

19          (ii) by striking out “or (iii) retirement after  
20          attaining an age specified in the plan referred to  
21          in subparagraph (B) or in a pension plan of the  
22          employer,”, and

23      (D) by striking out “subparagraph (B)” in the  
24      last sentence thereof and inserting in lieu thereof “sub-  
25      paragraph (A)”.

1       **(b)(1)** *Section 3306 of the Internal Revenue Code of*  
 2 *1954 (relating to definitions) is amended by adding at the*  
 3 *end thereof the following new subsection:*

4       **“(r) TREATMENT OF CERTAIN DEFERRED COMPEN-**  
 5 **SATION AND SALARY REDUCTION ARRANGEMENTS.—**

6       **“(1) CERTAIN EMPLOYER CONTRIBUTIONS**  
 7 **TREATED AS WAGES.—***Nothing in any paragraph of*  
 8 *subsection (b) (other than paragraph (1)) shall exclude*  
 9 *from the term ‘wages’ any employer contribution—*

10       **“(A)** *under a qualified cash or deferred ar-*  
 11 *rangement (as defined in section 401(k)) to the*  
 12 *extent not included in gross income by reason of*  
 13 *section 402(a)(8), or*

14       **“(B)** *under a cafeteria plan (as defined in*  
 15 *section 125(d)) which includes an arrangement*  
 16 *described in subparagraph (A) to the extent the*  
 17 *employee had the right to choose cash, property, or*  
 18 *other benefits which would be wages for purposes*  
 19 *of this chapter.*

20       **“(2) GOVERNMENTAL PLANS.—***For purposes of*  
 21 *subsection (b)—*

22       **“(A) IN GENERAL.—***Except as provided in*  
 23 *subparagraph (B), the term ‘wages’ shall not in-*  
 24 *clude any payment to or from a governmental*  
 25 *plan (within the meaning of section 414(d)).*

1           “(B) *EXCEPTIONS.*—*The term ‘wages’ shall*  
2           *include any amount—*

3                     “(i) *deferred under a plan described in*  
4                     *section 457(a) (at the time the services which*  
5                     *relate to such payment were performed),*

6                     “(ii) *deferred under a plan described in*  
7                     *subsection (e)(1), (e)(2)(D), or (e)(2)(E) of*  
8                     *section 457, or*

9                     “(iii) *which is treated as wages under*  
10                    *subsection (b)(5)(E) by reason of a salary*  
11                    *reduction agreement.”.*

12           (2) *Paragraph (5) of section 3306(b) of such Code (de-*  
13           *fining wages) is amended—*

14                    (A) *by striking out “or” at the end of subpara-*  
15                    *graph (C),*

16                    (B) *by striking out the semicolon at the end of*  
17                    *subparagraph (D) and inserting in lieu thereof a*  
18                    *comma and “or”, and*

19                    (C) *by adding at the end thereof the following*  
20                    *new subparagraph:*

21                    “(E) *under an annuity contract described in sec-*  
22                    *tion 403(b), other than a payment for the purchase of*  
23                    *such contract which is made by reason of a salary re-*  
24                    *duction agreement;”.*

1       (3) Subsection (b) of section 3306 of such Code (defin-  
2 ing wages) is amended—

3           (A) in paragraph (2), by striking out subpara-  
4 graph (A) and redesignating subparagraphs (B), (C),  
5 and (D) as subparagraphs (A), (B), and (C), respec-  
6 tively,

7           (B) by striking out paragraphs (3) and (8), and  
8 (C) in paragraph (10)(A)—

9           (i) by inserting “or” after “death,” and

10          (ii) by striking out “or (iii) retirement after  
11 attaining an age specified in the plan referred to  
12 in subparagraph (B) or in a pension plan of the  
13 employer,”.

14       (4)(A) Subparagraph (A) of section 3306(b)(2) of such  
15 Code, as redesignated by paragraph (3)(A), is amended to  
16 read as follows:

17           “(A) sickness or accident disability (but, in  
18 the case of payments made to an employee or any of  
19 his dependents, this subparagraph shall exclude  
20 from the term ‘wages’ only payments which are  
21 received under a workman’s compensation law),  
22 or”.

23       (B) Subsection (b) of section 3306 of such Code (defin-  
24 ing wages) is amended by adding at the end thereof the fol-  
25 lowing new flush sentence:



1 *“Except as otherwise provided in regulations prescribed by*  
2 *the Secretary, any third party which makes a payment in-*  
3 *cluded in wages solely by reason of the parenthetical matter*  
4 *contained in subparagraph (A) of paragraph (2) shall be*  
5 *treated for purposes of this chapter and chapter 22 as the*  
6 *employer with respect to such wages.”.*

7 *(C) Rules similar to the rules of subsections (d) and (e)*  
8 *of section 3 of the Act entitled “An Act to amend the Omni-*  
9 *bus Reconciliation Act of 1981 to restore minimum benefits*  
10 *under the Social Security Act” (Public Law 97-123), ap-*  
11 *proved December 29, 1981, shall apply in the administration*  
12 *of section 3306(b)(2)(A) of such Code (as amended by sub-*  
13 *paragraph (A)).*

14 *(c)(1) Section 209 of the Social Security Act is amend-*  
15 *ed by adding at the end thereof (as amended by this Act) the*  
16 *following new paragraphs:*

17 *“Nothing in any of the foregoing provisions of this sec-*  
18 *tion (other than subsection (a)) shall exclude from the term*  
19 *‘wages’ any employer contribution—*

20 *“(1) under a qualified cash or deferred arrange-*  
21 *ment (as defined in section 401(k)) to the extent not*  
22 *included in gross income by reason of section*  
23 *402(a)(8), or*

24 *“(2) under a cafeteria plan (as defined in section*  
25 *125(d)) which includes an arrangement described in*

1       *paragraph (1) to the extent the employee had the right*  
2       *to choose cash, property, or other benefits which would*  
3       *be wages for purposes of this chapter.*

4       *“For purposes of this section—*

5               *“(1) the term ‘wages’ shall not include any pay-*  
6       *ment to or from a governmental plan (within the*  
7       *meaning of section 414(d) of the Internal Revenue*  
8       *Code of 1954); except that*

9               *“(2) the term ‘wages’ shall include any amount—*

10               *“(A) deferred under a plan described in sec-*  
11       *tion 457(a) of such Code (at the time the services*  
12       *which relate to such payment were performed),*

13               *“(B) deferred under a plan described in sub-*  
14       *section (e)(1), (e)(2)(D), or (e)(2)(E) of section*  
15       *457 of such Code, or*

16               *“(C) which is treated as wages under subsec-*  
17       *tion (e)(5) by reason of a salary reduction agree-*  
18       *ment.”.*

19       *(2) Subsection (e) of section 209 of such Act is amended*  
20       *by adding before the semicolon at the end thereof the follow-*  
21       *ing: “, or (5) under an annuity contract described in section*  
22       *403(b) of the Internal Revenue Code of 1954, other than a*  
23       *payment for the purchase of such contract which is made by*  
24       *reason of a salary reduction agreement;”.*

25       *(3) Section 209 of such Act is amended—*

(A) in subsection (b), by striking out paragraph (1) and redesignating paragraphs (2), (3), and (4) as paragraphs (1), (2), and (3), respectively,

(B) by striking out subsections (c) and (i), and

(C) in subsection (m)(1)—

(i) by inserting “or” after “death,” and

(ii) by striking out “or (C) retirement after attaining an age specified in the plan referred to in paragraph (2) or in a pension plan of the employer,”.

(d)(1) Except as provided in paragraph (2), the amendments made by this section shall apply to remuneration paid after December 31, 1983.

(2) The amendments made by subsection (b) shall apply to remuneration paid after December 31, 1984.

#### CODIFICATION OF ROWAN DECISION WITH RESPECT TO

#### MEALS AND LODGING

SEC. 151. (a)(1) Subsection (a) of section 3121 of the Internal Revenue Code of 1954 (defining wages) is amended by striking out “or” at the end of paragraph (17), by striking out the period at the end of paragraph (18) and inserting in lieu thereof “; or”, and by inserting after paragraph (18) the following new paragraph:

“(19) the value of any meals or lodging furnished by or on behalf of the employer if at the time of such

1        *furnishing it is reasonable to believe that the employee*  
2        *will be able to exclude such items from income under*  
3        *section 119.”.*

4        *(2) Section 209 of the Social Security Act is amended*  
5        *by striking out “or” at the end of subsection (p), by striking*  
6        *out the period at the end of subsection (q) and inserting in*  
7        *lieu thereof “; or”, and by inserting after subsection (q) the*  
8        *following new subsection:*

9        *“(r) The value of any meals or lodging furnished by or*  
10       *on behalf of the employer if at the time of such furnishing it*  
11       *is reasonable to believe that the employee will be able to ex-*  
12       *clude such items from income under section 119 of the Inter-*  
13       *nal Revenue Code of 1954.”.*

14       *(b)(1) Subsection (a) of section 3121 of such Code is*  
15       *amended by inserting after paragraph (19) (as added by sub-*  
16       *section (a) of this section) the following new sentence: “Noth-*  
17       *ing in the regulations prescribed for purposes of chapter 24*  
18       *(relating to income tax withholding) which provides an exclu-*  
19       *sion from ‘wages’ as used in such chapter shall be construed*  
20       *to require a similar exclusion from ‘wages’ in the regulations*  
21       *prescribed for purposes of this chapter.”.*

22       *(2) Section 209 of the Social Security Act is amended*  
23       *by inserting immediately after subsection (r) (as added by*  
24       *subsection (a) of this section) the following new sentence:*



1 *“Nothing in the regulations prescribed for purposes of chap-*  
 2 *ter 24 of the Internal Revenue Code of 1954 (relating to*  
 3 *income tax withholding) which provides an exclusion from*  
 4 *‘wages’ as used in such chapter shall be construed to require*  
 5 *a similar exclusion from ‘wages’ in the regulations prescribed*  
 6 *for purposes of this title.”.*

7 (c) *Subsection (b) of section 3306 of the Internal Reve-*  
 8 *nue Code of 1954 (defining wages) is amended—*

9 (1) *by striking out “or” at the end of paragraph*  
 10 *(12),*

11 (2) *by striking out the period at the end of para-*  
 12 *graph (13) and inserting in lieu thereof “, or”,*

13 (3) *by adding immediately after paragraph (13)*  
 14 *the following new paragraph:*

15 *“(14) the value of any meals or lodging furnished*  
 16 *by or on behalf of the employer if at the time of such*  
 17 *furnishing it is reasonable to believe that the employee*  
 18 *will be able to exclude such items from income under*  
 19 *section 119.”, and*

20 (4) *by adding at the end thereof the following new*  
 21 *flush sentence:*

22 *“Nothing in the regulations prescribed for purposes of chap-*  
 23 *ter 24 (relating to income tax withholding) which provides an*  
 24 *exclusion from ‘wages’ as used in such chapter shall be con-*

1 *strued to require a similar exclusion from 'wages' in the reg-*  
 2 *ulations prescribed for purposes of this chapter."*

3 *(d)(1) Except as provided in paragraph (2), the amend-*  
 4 *ments made by subsections (a) and (b) shall apply to remu-*  
 5 *neration paid after December 31, 1983.*

6 *(2) The amendments made by subsection (c) shall apply*  
 7 *to remuneration paid after December 31, 1984.*

8 *TREATMENT OF CONTRIBUTIONS UNDER SIMPLIFIED*  
 9 *EMPLOYEE PENSIONS*

10 *SEC. 152. (a) Subparagraph (D) of section 3121(a)(5)*  
 11 *of the Internal Revenue Code of 1954 (defining wages) is*  
 12 *amended by striking out "section 219" and inserting in lieu*  
 13 *thereof "section 219(b)(2)".*

14 *(b) Subsection (e) of section 209 of the Social Security*  
 15 *Act, as amended by this Act, is amended by striking out the*  
 16 *semicolon at the end thereof and inserting in lieu thereof the*  
 17 *following: ", or (6) under a simplified employee pension (as*  
 18 *defined in section 408(k) of the Internal Revenue Code of*  
 19 *1954) if, at the time of the payment, it is reasonable to be-*  
 20 *lieve that the employee will be entitled to a deduction under*  
 21 *section 219(b)(2) of such Code for such payment;".*

22 *(c) Subparagraph (D) of section 3306(b)(5) of the In-*  
 23 *ternal Revenue Code of 1954 is amended by striking out*  
 24 *"section 219" and inserting in lieu thereof "section*  
 25 *219(b)(2)".*

1       (d)(1) *Except as provided in paragraph (2), the amend-*  
 2 *ments made by this section shall apply to remuneration paid*  
 3 *after December 31, 1983.*

4       (2) *The amendments made by subsection (c) shall apply*  
 5 *to remuneration paid after December 31, 1984.*

## 6       TITLE II—SUPPLEMENTAL SECURITY

### 7                       INCOME

#### 8                       INCREASE IN BENEFIT STANDARD

9       SEC. 201. (a) *Section 1617 of the Social Security Act*  
 10 *is amended by adding at the end thereof the following new*  
 11 *subsection:*

12       “(c) *Effective July 1, 1983—*

13               “(1) *each of the dollar amounts in effect under*  
 14 *subsections (a)(1)(A) and (b)(1) of section 1611, as*  
 15 *previously increased under this section, shall be in-*  
 16 *creased by \$240 (and the dollar amount in effect under*  
 17 *subsection (a)(1)(A) of Public Law 93-66, as previous-*  
 18 *ly so increased, shall be increased by \$120); and*

19               “(2) *each of the dollar amounts in effect under*  
 20 *subsections (a)(2)(A) and (b)(2) of section 1611, as*  
 21 *previously increased under this section, shall be in-*  
 22 *creased by \$360.”.*

23       (b) *Section 1617(b) of such Act is amended by striking*  
 24 *out “this section” and inserting in lieu thereof “subsection*  
 25 *(a) of this section”.*

1        *ADJUSTMENT IN FEDERAL SSI PASS-THROUGH*2                                *PROVISIONS*

3        *SEC. 202. Section 1618 of the Social Security Act is*  
4 *amended by adding at the end thereof the following new sub-*  
5 *section:*

6        *(d)(1) For any particular month after March 1983, a*  
7 *State shall be deemed to have met the requirements of para-*  
8 *graph (4) of subsection (a) if—*

9                *“(A) the combined level of its supplementary pay-*  
10 *ments (to recipients of the type involved) and the*  
11 *amounts payable under section 1611(b) (to such recipi-*  
12 *ents), for that particular month,*  
13 *is not less than—*

14                *“(B) the combined level of its supplementary pay-*  
15 *ments (to recipients of the type involved) and the*  
16 *amounts payable under section 1611(b) (to such recipi-*  
17 *ents), for March 1983, increased by the amount of all*  
18 *cost-of-living adjustments under section 1617 (and any*  
19 *other benefit increases under this title) which have oc-*  
20 *curred after March 1983 and before that particular*  
21 *month.*

22                *“(2) In determining the amount of any increase in the*  
23 *combined level involved under paragraph (1)(B) of this sub-*  
24 *section, any portion of such amount which would otherwise*  
25 *be attributable to the increase under section 1617(c) shall be*



1 *deemed instead to be equal to the amount of the cost-of-living*  
 2 *adjustment which would have occurred in July 1983 (with-*  
 3 *out regard to the 3-percent limitation contained in section*  
 4 *215(i)(1)(B)) if section 111 of the Social Security Act*  
 5 *Amendments of 1983 had not been enacted.”.*

6 *NOTIFICATION REGARDING SSI*

7 *SEC. 203. Prior to July 1, 1984, the Secretary of*  
 8 *Health and Human Services shall notify all elderly recipi-*  
 9 *ents of benefits under title II of the Social Security Act, who*  
 10 *may be eligible for supplemental security income benefits*  
 11 *under title XVI of such Act, of the availability of the supple-*  
 12 *mental security income program, and shall encourage such*  
 13 *recipients to contact the Social Security district office. Such*  
 14 *notification shall also be made to all recipients prior to at-*  
 15 *tainment of age 65, with the notification made with respect to*  
 16 *eligibility for supplemental medical insurance.*

17 *TITLE III—MEDICARE*

18 *MEDICARE PAYMENTS FOR INPATIENT HOSPITAL*

19 *SERVICES ON THE BASIS OF PROSPECTIVE RATES*

20 *SEC. 301. (a)(1) Section 1886(a)(4) of the Social Se-*  
 21 *curity Act is amended by adding at the end the following new*  
 22 *sentence: “Such term does not include costs of approved edu-*  
 23 *cational activities, or, with respect to costs incurred in cost*  
 24 *reporting periods beginning prior to October 1, 1986, capital-*  
 25 *related costs, as defined by the Secretary.”.*

1       (2) Subsection (a)(1) of section 1886 of such Act is  
 2 amended by adding at the end thereof the following new sub-  
 3 paragraph:

4       “(D) Subparagraph (A) shall not apply to cost reporting  
 5 periods beginning on or after October 1, 1985.”.

6       (3) It is the intent of Congress that, in considering the  
 7 implementation of a system for including capital-related costs  
 8 under a prospectively determined payment rate for inpatient  
 9 hospital services, costs related to capital projects initiated on  
 10 or after the effective date of the implementation of such a  
 11 system, may or may not be distinguished and treated differ-  
 12 ently from costs of projects initiated before such date.

13       (b) Section 1886(b) of such Act is amended—

14       (1) by striking out “Notwithstanding sections  
 15 1814(b), but subject to the provisions of sections” in  
 16 paragraph (1) and inserting in lieu thereof “Notwith-  
 17 standing section 1814(b) but subject to the provisions  
 18 of section”;

19       (2) by inserting “(other than a subsection (d) hos-  
 20 pital, as defined in subsection (d)(1)(B))” in the  
 21 matter before subparagraph (A) of paragraph (1) after  
 22 “of a hospital”;

23       (3) by inserting, in the matter in paragraph (1)  
 24 following subparagraph (B), “(other than on the basis

1 of a DRG prospective payment rate determined under  
2 subsection (d))” after “payable under this title”;

3 (4) by repealing paragraph (2);

4 (5) by inserting “and subsection (d) and except as  
5 provided in subsection (e)” in paragraph (3)(B) after  
6 “subparagraph (A)”;

7 (6) by inserting “or fiscal year” after “cost re-  
8 porting period” each place it appears in paragraph  
9 (3)(B);

10 (7) by inserting “before the beginning of the  
11 period or year” in paragraph (3)(B) after “estimated  
12 by the Secretary”;

13 (8) by striking out “exceeds” in paragraph (3)(B)  
14 and inserting in lieu thereof “will exceed”; and

15 (9) by amending paragraph (6), effective with re-  
16 spect to cost reporting periods beginning on or after  
17 October 1, 1982, to read as follows:

18 “(6) In the case of any hospital which becomes subject  
19 to the taxes under section 3111 of the Internal Revenue Code  
20 for 1954 for part or all of a cost reporting period, and was  
21 not subject to such taxes for the 12-month cost-reporting  
22 period referred to in subsection (b)(3)(A)(i), the Secretary  
23 shall provide for an adjustment by increasing the base year  
24 amount referred to in subsection (b)(3)(A)(i) for such hospi-  
25 tal applicable to such cost reporting period by the amount of

1 *such taxes paid or accrued by such hospital for such cost*  
2 *reporting period.”.*

3 *(c)(1) Subsection (c)(1) of such section is amended—*

4 *(A) by striking out “and” at the end of subpara-*  
5 *graph (B),*

6 *(B) by striking out the period at the end of sub-*  
7 *paragraph (C) and inserting in lieu thereof “; and”,*  
8 *and*

9 *(C) by adding at the end the following:*

10 *“(D) the Secretary determines that the system*  
11 *will not preclude an eligible organization (as defined in*  
12 *section 1876(b)) from negotiating directly with hospi-*  
13 *tals with respect to the organization’s rate of payment*  
14 *for inpatient hospital services.*

15 *The Secretary cannot deny the application of a State under*  
16 *this subsection on the ground that the State’s hospital reim-*  
17 *bursement control system is based on a payment methodology*  
18 *other than on the basis of a diagnosis-related group or on the*  
19 *ground that the amount of payments made under this title*  
20 *under such system must be less than the amount of payments*  
21 *which would otherwise have been made under this title not*  
22 *using such system. If the Secretary determines that the con-*  
23 *ditions described in subparagraph (C) are based on main-*  
24 *taining payment amounts at no more than a specified per-*  
25 *centage increase above the payment amounts in a base period,*



1 *the State has the option of applying such test (for inpatient*  
 2 *hospital services under part A) on an aggregate payment*  
 3 *basis or on the basis of the amount of payment per inpatient*  
 4 *discharge or admission. If the Secretary determines that the*  
 5 *conditions described in subparagraph (C) are based on main-*  
 6 *taining aggregate payment amounts below a national average*  
 7 *percentage increase in total payments under part A for inpa-*  
 8 *tient hospital services, the Secretary cannot deny the applica-*  
 9 *tion of a State under this subsection on the ground that the*  
 10 *State's rate of increase in such payments for such services*  
 11 *must be less than such national average rate of increase.”;*

12 (2) Subsection (c)(3) of such section is amended—

13 (A) by striking out “requirement of paragraph  
 14 (1)(A)” and inserting in lieu thereof “requirements of  
 15 subparagraphs (A) and (D) of paragraph (1) and, if  
 16 applicable, the requirements of paragraph (5),”, and

17 (B) by inserting “(or, if applicable, in paragraph  
 18 (5))” in subparagraph (B) after “paragraph (1)”.

19 (3) Subsection (c) of such section is further amended by  
 20 adding at the end the following new paragraphs:

21 “(4) The Secretary shall approve the request of a State  
 22 under paragraph (1) with respect to a hospital reimbursement  
 23 control system if—

1           “(A) the requirements of subparagraphs (A), (B),  
2       (C), and (D) of paragraph (1) have been met with re-  
3       spect to the system, and

4           “(B) with respect to that system a waiver of cer-  
5       tain requirements of title XVIII of the Social Security  
6       Act has been approved on or before (and which is in  
7       effect as of) the date of the enactment of the Social Se-  
8       curity Act Amendments of 1983, pursuant to section  
9       402(a) of the Social Security Amendments of 1967 or  
10      section 222(a) of the Social Security Amendments of  
11      1972.

12   With respect to a State system described in this paragraph,  
13   the Secretary shall judge the effectiveness of such system on  
14   the basis of its rate of increase or inflation in inpatient hospi-  
15   tal payments for individuals under this title, as compared to  
16   the national rate of increase or inflation for such payments,  
17   with the State retaining the option to have the test applied on  
18   the basis of the aggregate payment or payments per inpatient  
19   admission or discharge during the three cost reporting periods  
20   beginning on or after October 1, 1983, after which such test  
21   shall no longer apply, and such hospitals shall be treated in  
22   the same manner as under other waivers.

23           “(5) The Secretary shall approve the request of a State  
24   under paragraph (1) with respect to a hospital reimbursement  
25   control system if—

1           “(A) the requirements of subparagraphs (A), (B),  
2           (C), and (D) of paragraph (1) have been met with re-  
3           spect to the system;

4           “(B) the Secretary determines that the system—

5                 “(i) is operated directly by the State or by  
6                 an entity designated pursuant to State law,

7                 “(ii) provides for payment of hospitals cov-  
8                 ered under the system under a methodology  
9                 (which sets forth exceptions and adjustments, as  
10                well as any method for changes in the methodolo-  
11                gy) by which rates or amounts to be paid for hos-  
12                pital services during a specified period are estab-  
13                lished under the system prior to the defined rate  
14                period, and

15               “(iii) hospitals covered under the system will  
16               make such reports (in lieu of cost and other re-  
17               ports, identified by the Secretary, otherwise re-  
18               quired under this title) as the Secretary may re-  
19               quire in order to properly monitor assurances pro-  
20               vided under this subsection;

21           “(C) the State has provided the Secretary with  
22           satisfactory assurances that operation of the system  
23           will not result in any change in hospital admission  
24           practices which result in—

1           “(i) a significant reduction in the proportion  
2           of patients (receiving hospital services covered  
3           under the system) who have no third-party cover-  
4           age and who are unable to pay for hospital serv-  
5           ices,

6           “(ii) a significant reduction in the proportion  
7           of individuals admitted to hospitals for inpatient  
8           hospital services for which payment is (or is  
9           likely to be) less than the anticipated charges for  
10          or costs of such services,

11          “(iii) the refusal to admit patients who  
12          would be expected to require unusually costly or  
13          prolonged treatment for reasons other than those  
14          related to the appropriateness of the care available  
15          at the hospital, or

16          “(iv) the refusal to provide emergency serv-  
17          ices to any person who is in need of emergency  
18          services if the hospital provides such services;

19          “(D) any change by the State in the system  
20          which has the effect of materially reducing payments to  
21          hospitals can only take effect upon 60 days notice to  
22          the Secretary and to the hospitals the payment to  
23          which is likely to be materially affected by the change;  
24          and



1           “(E) the State has provided the Secretary with  
2           satisfactory assurances that in the development of the  
3           system the State has consulted with local governmental  
4           officials concerning the impact of the system on public  
5           hospitals.

6           The Secretary shall respond to requests of States under this  
7           paragraph within 60 days of the date the request is submitted  
8           to the Secretary.

9           “(6) If the Secretary determines that the assurances de-  
10          scribed in paragraph (1)(C) have not been met with respect to  
11          any 36-month period, the Secretary may reduce payments  
12          under this title to hospitals under the system in an amount  
13          equal to the amount by which the payments under this title  
14          under such system for such period exceeded the amount of  
15          payments which would otherwise have been made under this  
16          title not using such system.”.

17          (d) Subsection (d) of such section, as added by section  
18          110 of the Tax Equity and Fiscal Responsibility Act of  
19          1982, is amended—

20               (1) by striking out “section 1814(b)” in para-  
21               graph (2)(A) and inserting in lieu thereof “subsection  
22               (b)”, and

23               (2) by redesignating the subsection as subsection  
24               (j) and transferring and inserting such subsection at

1       *the end of section 1814 of the Social Security Act*  
2       *under the following heading:*

3       *“Elimination of Lesser-of-Cost-or-Charges Provision”.*

4       *(e) Such section 1886 is further amended by adding at*  
5       *the end the following new subsections:*

6       *“(d)(1)(A) Notwithstanding section 1814(b) but subject*  
7       *to the provisions of section 1813, the amount of the payment*  
8       *with respect to the operating costs of inpatient hospital serv-*  
9       *ices (as defined in subsection (a)(4)) of a subsection (d) hos-*  
10       *pital (as defined in subparagraph (B)) for inpatient hospital*  
11       *discharges in a cost reporting period or in a fiscal year—*

12               *“(i) beginning on or after October 1, 1983, and*  
13       *before October 1, 1986, is equal to the sum of—*

14               *“(I) the target percentage (as defined in sub-*  
15               *paragraph (C)) of the hospital’s target amount for*  
16               *the cost reporting period (as defined in subsection*  
17               *(b)(3)(A)) for the period, and*

18               *“(II) the DRG percentage (as defined in*  
19               *subparagraph (C)) of the applicable combined ad-*  
20               *justed DRG prospective payment rate determined*  
21               *under subparagraph (D) for such discharges; or*

22               *“(ii) beginning on or after October 1, 1986, is*  
23       *equal to the national adjusted DRG prospective pay-*  
24       *ment rate determined under paragraph (3) for such*  
25       *discharges.*

1       “(B) As used in this section, the term ‘subsection (d)  
2 hospital’ means a hospital located in one of the fifty States or  
3 the District of Columbia other than—

4           “(i) a psychiatric hospital (as defined in section  
5 1861(f)),

6           “(ii) a rehabilitation hospital (as defined by the  
7 Secretary),

8           “(iii) a hospital whose inpatients are predomi-  
9 nantly individuals under 18 years of age, or

10          “(iv) a hospital which has an average inpatient  
11 length of stay (as determined by the Secretary) of  
12 greater than 25 days;

13 and, in accordance with regulations of the Secretary, does not  
14 include a psychiatric or rehabilitation unit of the hospital  
15 which is a distinct part of the hospital (as defined by the  
16 Secretary). The exclusion of any category of hospitals or  
17 units under this subparagraph shall become inapplicable at  
18 such time as the Secretary determines that adequate data of  
19 clinical and statistical significance is available such that the  
20 Secretary may include such category in the payment system  
21 established under this subsection.

22          “(C) For purposes of this subsection, for cost reporting  
23 periods beginning, or discharges occurring—

1           “(i) on or after October 1, 1983, and before Octo-  
2       ber 1, 1984, the ‘target percentage’ is 75 percent and  
3       the ‘DRG percentage’ is 25 percent;

4           “(ii) on or after October 1, 1984, and before Oc-  
5       tober 1, 1985, the ‘target percentage’ is 50 percent and  
6       the ‘DRG percentage’ is 50 percent; and

7           “(iii) on or after October 1, 1985, and before Oc-  
8       tober 1, 1986, the ‘target percentage’ is 25 percent and  
9       the ‘DRG percentage’ is 75 percent.

10          “(D) For purposes of subparagraph (A)(i)(II), the ‘ap-  
11       plicable combined adjusted DRG prospective payment rate’  
12       for cost reporting periods beginning, or discharges occur-  
13       ring—

14           “(i) on or after October 1, 1983, and before Octo-  
15       ber 1, 1984, is a combined rate consisting of 25 per-  
16       cent of the national DRG prospective payment rate,  
17       and 75 percent of the regional DRG prospective pay-  
18       ment rate, determined under paragraph (2) for such  
19       discharges;

20           “(ii) on or after October 1, 1984, and before Oc-  
21       tober 1, 1985, is a combined rate consisting of 50 per-  
22       cent of the national DRG prospective payment rate,  
23       and 50 percent of the regional DRG prospective pay-  
24       ment rate, determined under paragraph (3) for such  
25       discharges;



1           “(iii) on or after October 1, 1985, and before Oc-  
2       tober 1, 1986, is a combined rate consisting of 75 per-  
3       cent of the national DRG prospective payment rate,  
4       and 25 percent of the regional DRG prospective pay-  
5       ment rate, determined under paragraph (3); and

6           “(iv) on or after October 1, 1986, is a rate equal  
7       to the national DRG prospective payment rate deter-  
8       mined under paragraph (3).

9           “(2) The Secretary shall determine a national adjusted  
10      DRG prospective payment rate, for each inpatient hospital  
11      discharge in fiscal year 1984 involving inpatient hospital  
12      services of a subsection (d) hospital in the United States, and  
13      shall determine a regional adjusted DRG prospective pay-  
14      ment rate for such discharges in each such region, for which  
15      payment may be made under part A of this title. Each such  
16      rate shall also be determined for hospitals located in urban or  
17      rural areas within the United States and within each such  
18      region. Such determinations shall be made as follows:

19           “(A) DETERMINING ALLOWABLE INDIVIDUAL  
20      HOSPITAL COSTS FOR BASE PERIOD.—The Secretary  
21      shall determine the allowable operating costs per dis-  
22      charge of inpatient hospital services for the hospital for  
23      the most recent cost reporting period for which data are  
24      available.

1           “(B) *UPDATING FOR FISCAL YEAR 1984.*—*The*  
2           *Secretary shall update each amount determined under*  
3           *subparagraph (A) for fiscal year 1984 by—*

4                   “(i) *updating for fiscal year 1983 by the es-*  
5                   *timated average rate of change of hospital costs*  
6                   *industry-wide between the cost reporting period*  
7                   *used under such subparagraph and fiscal year*  
8                   *1983, and*

9                   “(ii) *projecting for fiscal year 1984 by the*  
10                  *applicable percentage increase (as defined in sub-*  
11                  *section (b)(3)(B)) for fiscal year 1984.*

12           “(C) *STANDARDIZING AMOUNTS.*—*The Secre-*  
13           *tary shall standardize the amount updated under sub-*  
14           *paragraph (B) for each hospital by—*

15                   “(i) *excluding an estimate of indirect medi-*  
16                   *cal education costs,*

17                   “(ii) *adjusting for variations among hospi-*  
18                   *tals by area and region in the average hospital*  
19                   *wage level, and*

20                   “(iii) *adjusting for variations in case mix*  
21                   *among hospitals.*

22           “(D) *COMPUTING URBAN AND RURAL AVER-*  
23           *AGES.*—*The Secretary shall compute an average of the*  
24           *standardized amounts determined under subparagraph*  
25           *(C) for the United States and for each region—*

1           “(i) for all subsection (d) hospitals located in  
2           an urban area, and

3           “(ii) for all subsection (d) hospitals located  
4           in a rural area.

5           For purposes of this subsection, the term ‘region’  
6           means one of the four census regions established by the  
7           Bureau of the Census, established by the Secretary;  
8           the term ‘urban area’ means an area within a Stand-  
9           ard Metropolitan Statistical Area (as defined by the  
10          Office of Management and Budget) or within such  
11          similar area as the Secretary has recognized under  
12          subsection (a) by regulation; and the term ‘rural area’  
13          means any area outside such an area or similar area.

14          “(E) REDUCING FOR VALUE OF OUTLIER PAY-  
15          MENTS.—The Secretary shall reduce each of the aver-  
16          age standardized amounts determined under subpara-  
17          graph (D) by a proportion equal to the proportion (esti-  
18          mated by the Secretary) of the amount of payments  
19          under this subsection based on DRG prospective pay-  
20          ment rates which are additional payments described in  
21          paragraph (5)(A) (relating to outlier payments).

22          “(F) MAINTAINING BUDGET NEUTRALITY.—The  
23          Secretary shall adjust each of such average standard-  
24          ized amounts as may be required under subsection  
25          (e)(1)(B) for that fiscal year.

“(G) *COMPUTING DRG-SPECIFIC RATES FOR URBAN AND RURAL HOSPITALS IN THE UNITED STATES AND IN EACH REGION.*—For each discharge classified within a diagnosis-related group, the Secretary shall establish a DRG prospective payment rate which is equal—

“(i) for hospitals located in an urban area in the United States, and for hospitals located in an urban area in each region, to the product of—

“(I) the average standardized amount (computed under subparagraph (D), reduced under subparagraph (E), and adjusted under subparagraph (F)) for hospitals located in an urban area in the United States or in that region, and

“(II) the weighting factor (determined under paragraph (4)(B)) for that diagnosis-related group; and

“(ii) for hospitals located in a rural area in the United States, and for hospitals located in a rural area in each region, to the product of—

“(I) the average standardized amount (computed under subparagraph (D), reduced under subparagraph (E), and adjusted under subparagraph (F)) for hospitals located in a



1                   rural area in the United States or in that  
2                   region, and

3                   “(II) the weighting factor (determined  
4                   under paragraph (4)(B)) for that diagnosis-  
5                   related group.

6                   “(H) ADJUSTING FOR DIFFERENT AREA WAGE  
7                   LEVELS.—The Secretary shall adjust the proportion  
8                   (as estimated by the Secretary from time to time) of  
9                   hospitals’ costs which are attributable to wages and  
10                  wage-related costs, of the DRG prospective payment  
11                  rates computed under subparagraph (G) for area dif-  
12                  ferences in hospital wage levels by a factor (established  
13                  by the Secretary) reflecting the relative hospital wage  
14                  level in the geographic area of the hospital compared to  
15                  the national or regional average hospital wage level as  
16                  appropriate.

17               “(3) The Secretary shall determine an adjusted DRG  
18               prospective payment rate, for each inpatient hospital dis-  
19               charge in a fiscal year after fiscal year 1984 involving inpa-  
20               tient hospital services of a subsection (d) hospital for which  
21               payment may be made under part A of this title, as follows:

22               “(A) UPDATING PREVIOUS STANDARDIZED  
23               AMOUNTS.—The Secretary shall compute an average  
24               standardized amount for hospitals located in an urban  
25               area within the United States and, for fiscal year

1     1985, for hospitals located in an urban area within  
2     each region, and for hospitals located in a rural area  
3     within the United States, and for fiscal year 1985, for  
4     hospitals located in a rural area within each region,  
5     and equal to the respective average standardized  
6     amount computed for the previous fiscal year under  
7     paragraph (2)(D) or under this subparagraph, in-  
8     creased by the applicable percentage increase under  
9     subsection (b)(3)(B) for that particular fiscal year.

10         “(B) REDUCING FOR VALUE OF OUTLIER PAY-  
11     MENTS.—The Secretary shall reduce each of the aver-  
12     age standardized amounts determined under subpara-  
13     graph (A) by a proportion equal to the proportion (esti-  
14     mated by the Secretary) of the amount of payments  
15     under this subsection based on DRG prospective pay-  
16     ment amounts which are additional payments described  
17     in paragraph (5)(A) (relating to outlier payments).

18         “(C) MAINTAINING BUDGET NEUTRALITY.—The  
19     Secretary shall adjust each of such average standard-  
20     ized amounts as may be required under subsection  
21     (e)(1)(B) for that fiscal year.

22         “(D) COMPUTING DRG-SPECIFIC RATES FOR  
23     URBAN AND RURAL HOSPITALS.—For each discharge  
24     classified within a diagnosis-related group, the Secre-

tary shall establish a DRG prospective payment rate for the fiscal year which is equal—

“(i) for hospitals located in an urban area in the United States and (if applicable) for hospitals located in an urban area in each region, to the product of—

“(I) the average standardized amount (computed under subparagraph (A), reduced under subparagraph (B), and adjusted under subparagraph (C)) for the fiscal year for hospitals located in an urban area in the United States or in that region, and

“(II) the weighting factor (determined under paragraph (4)(B)) for that diagnosis-related group; and

“(ii) for hospitals located in a rural area in the United States and (if applicable) for hospitals located in a rural area in each region (and, if applicable, in a census division), to the product of—

“(I) the average standardized amount (computed under subparagraph (A), reduced under subparagraph (B), and adjusted under subparagraph (C)) for the fiscal year for hospitals located in a rural area in the United States or in that region, and

1                   “(II) the weighting factor (determined  
2                   under paragraph (4)(B)) for that diagnosis-  
3                   related group.

4                   “(E) ADJUSTING FOR DIFFERENT AREA WAGE  
5                   LEVELS.—The Secretary shall adjust the proportion,  
6                   (as estimated by the Secretary from time to time) of  
7                   hospitals’ costs which are attributable to wages and  
8                   wage-related costs, of the DRG prospective payment  
9                   rates computed under subparagraph (D) for area differ-  
10                  ences in hospital wage levels by a factor (established by  
11                  the Secretary) reflecting the relative hospital wage level  
12                  in the geographic area of the hospital compared to the  
13                  national or regional average hospital wage level as ap-  
14                  propriate.

15                  “(4)(A) The Secretary shall establish a classification of  
16                  inpatient hospital discharges by diagnosis-related groups and  
17                  a methodology for classifying specific hospital discharges  
18                  within these groups.

19                  “(B) For each such diagnosis-related group the Secre-  
20                  tary shall assign an appropriate weighting factor which re-  
21                  flects the relative hospital resources used with respect to dis-  
22                  charges classified within that group compared to discharges  
23                  classified within other groups.

24                  “(C) The Secretary shall adjust the classifications and  
25                  weighting factors established under subparagraphs (A) and



1 (B), at least every five years, to reflect changes in treatment  
2 patterns, technology, and other factors which may change the  
3 relative use of hospital resources.

4 “(D) The Commission (established under subsection  
5 (e)(2)) shall consult with and make recommendations to the  
6 Secretary with respect to adjustments to be made under sub-  
7 paragraph (C), based upon its evaluation of scientific evi-  
8 dence with respect to new practices, including the use of new  
9 technologies and treatment modalities. The Commission shall  
10 report to the Congress with respect to its evaluation of any  
11 adjustments made by the Secretary under subparagraph (C).

12 “(5)(A)(i) The Secretary shall provide for an additional  
13 payment for a subsection (d) hospital for any discharge in a  
14 diagnosis-related group, the length of stay of which exceeds  
15 the mean length of stay for discharges within that group by a  
16 fixed number of days, or exceeds such mean length of stay by  
17 some fixed number of standard deviations, whichever is the  
18 lesser.

19 “(ii) For cases which are not included in clause (i), a  
20 hospital may request additional payments in any case where  
21 changes, adjusted to cost, exceed a fixed multiple of the DRG  
22 rate, or exceed such other fixed dollar amount, whichever is  
23 greater.

24 “(iii) The amount of such additional payment under  
25 clauses (i) and (ii) shall be determined by the Secretary and

1 *shall approximate the marginal cost of care beyond the cutoff*  
2 *point applicable under clause (i) or (ii).*

3       “(iv) *The total amount of the additional payments made*  
4 *under this subparagraph for discharges in a fiscal year may*  
5 *not be less than 5 percent nor more than 6 percent of the total*  
6 *payments made based on DRG prospective payment rates for*  
7 *discharges in that year, and the DRG rates shall be reduced*  
8 *to compensate for any payments under this subparagraph in*  
9 *excess of such 6 percent.*

10       “(B) *The Secretary shall provide for an additional pay-*  
11 *ment amount for subsection (d) hospitals with indirect costs*  
12 *of medical education, in an amount computed in the same*  
13 *manner as the adjustment for such costs under regulations*  
14 *(in effect as of January 1, 1983) under subsection (a)(2),*  
15 *except that in the computation under this subparagraph the*  
16 *Secretary shall use an educational adjustment factor equal to*  
17 *twice the factor provided under such regulations.*

18       “(C)(i) *The Secretary shall provide for such exceptions*  
19 *and adjustments to the payment amounts established under*  
20 *this subsection as the Secretary deems appropriate to take*  
21 *into account the special needs of public or other hospitals that*  
22 *serve a significantly disproportionate number of patients who*  
23 *have low income or are entitled to benefits under part A of*  
24 *this title.*

1       “(ii) With respect to a hospital which is a ‘sole commu-  
2 nity hospital’, payment under paragraph (1)(A)(i) for any  
3 cost reporting period or fiscal year beginning on or after Oc-  
4 tober 1, 1983, shall be determined using the target percentage  
5 and DRG percentage applicable for the fiscal year beginning  
6 on October 1, 1983, and in no case shall total payments to  
7 such a hospital under this title for any cost reporting period  
8 beginning on or after October 1, 1983, and before October 1,  
9 1986, be less than such payments to such hospital for the  
10 preceding cost reporting period. For purposes of this subpara-  
11 graph, the term ‘sole community hospital’ means a hospital  
12 that, by reason of factors such as isolated location, weather  
13 conditions, travel conditions, or absence of other hospitals (as  
14 determined by the Secretary), is the sole source of inpatient  
15 hospital services reasonably available to individuals in a geo-  
16 graphical area who are entitled to benefits under part A.

17       “(iii) The Secretary may provide for such adjustments  
18 to the payment amounts as the Secretary deems appropriate  
19 to take into account the unique circumstances of hospitals  
20 located in Alaska and Hawaii.

21       “(D)(i) The Secretary shall estimate the amount of re-  
22 imbursement made for services described in section  
23 1862(a)(14) with respect to which payment was made under  
24 part B in the base reporting periods referred to in paragraph

1 (2)(A) and with respect to which payment is no longer being  
2 made.

3 “(ii) The Secretary shall provide for an adjustment to  
4 the payment for subsection (d) hospitals in each fiscal year so  
5 as appropriately to reflect the net amount described in clause  
6 (i).

7 “(E) This paragraph shall apply only to subsection (d)  
8 hospitals that receive payments in amounts computed under  
9 this subsection.

10 “(6) The Secretary shall provide for publication in the  
11 Federal Register, on or before the September 1 before each  
12 fiscal year (beginning with fiscal year 1984), of a description  
13 of the methodology and data used in computing the adjusted  
14 DRG prospective payment rates under this subsection, in-  
15 cluding any adjustments required under subsection (e)(1)(B).

16 “(7) There shall be no administrative or judicial review  
17 under section 1878 or otherwise of—

18 “(A) the determination of the requirement, or the  
19 proportional amount, of any adjustment effected pursu-  
20 ant to subsection (e)(1), and

21 “(B) the establishment of diagnosis-related  
22 groups, of the methodology for the classification of dis-  
23 charges within such groups, and of the appropriate  
24 weighting factors thereof under paragraph (4).



1       “(e)(1)(A) For cost reporting periods of hospitals begin-  
 2       ning in fiscal year 1984 or fiscal year 1985, the Secretary  
 3       shall provide for such proportional adjustment in the applica-  
 4       ble percentage increase (otherwise applicable to the periods  
 5       under subsection (b)(3)(B)) as may be necessary to assure  
 6       that—

7               “(i) the aggregate payment amounts otherwise  
 8       provided under subsection (d)(1)(A)(i)(I) and (d)(5) for  
 9       that fiscal year for operating costs of inpatient hospital  
 10      services of hospitals,  
 11      are not greater or less than—

12              “(ii) the target percentage (as defined in subsec-  
 13      tion (d)(1)(C)) of the payment amounts which would  
 14      have been payable for such services for those same hos-  
 15      pitals for that fiscal year under this section under the  
 16      law as in effect before the date of the enactment of the  
 17      Social Security Act Amendments of 1983;  
 18      except that the adjustment made under this subparagraph  
 19      shall apply only to subsection (d) hospitals and shall not  
 20      apply for purposes of making computations under subsection  
 21      (d)(2)(B)(ii) or subsection (d)(3)(A).

22              “(B) For discharges occurring in fiscal year 1984 or  
 23      fiscal year 1985, the Secretary shall provide under subsec-  
 24      tions (d)(2)(F) and (d)(3)(C) for such equal proportional ad-  
 25      justment in each of the average standardized amounts other-

1 *wise computed for that fiscal year as may be necessary to*  
2 *assure that—*

3           “(i) *the aggregate payment amounts otherwise*  
4           *provided under subsection (d)(1)(A)(i)(II) and (d)(5)*  
5           *for that fiscal year for operating costs of inpatient hos-*  
6           *pital services of hospitals, .*

7 *are not greater or less than—*

8           “(ii) *the DRG percentage (as defined in subsec-*  
9           *tion (d)(1)(C)) of the payment amounts which would*  
10           *have been payable for such services for those same hos-*  
11           *pitals for that fiscal year under this section under the*  
12           *law as in effect before the date of the enactment of the*  
13           *Social Security Act Amendments of 1983.*

14           “(2) *The Secretary shall provide for appointment of a*  
15           *Commission of independent experts, selected by the Office of*  
16           *Technology Assessment (hereinafter in this subsection re-*  
17           *ferred to as the ‘Commission’) to review the applicable per-*  
18           *centage increase factor described in subsection (b)(3)(B) and*  
19           *make recommendations to the Secretary on the appropriate*  
20           *percentage increase which should be effected for hospital in-*  
21           *patient discharges under subsections (b) and (d) for fiscal*  
22           *years beginning with fiscal year 1985. In making its recom-*  
23           *mendations, the Commission shall take into account changes*  
24           *in the hospital market-basket described in subsection*  
25           *(b)(3)(B), hospital productivity, technological and scientific*

1 advances, the quality of health care provided in hospitals (in-  
2 cluding the quality and skill level of professional nursing  
3 required to maintain quality care), and long-term cost-effec-  
4 tiveness in the provision of inpatient hospital services.

5       “(3) The Commission, not later than the April 1 before  
6 the beginning of each fiscal year (beginning with fiscal year  
7 1985), shall report its recommendations to the Secretary on  
8 an appropriate increase factor which should be used (instead  
9 of the applicable percentage increase described in subsection  
10 (b)(3)(B)) for inpatient hospital services for discharges in  
11 that fiscal year.

12       “(4) Taking into consideration the recommendations of  
13 the Commission, the Secretary shall determine for each fiscal  
14 year (beginning with fiscal year 1986) the percentage in-  
15 crease which will apply for purposes of this section as the  
16 applicable percentage increase (otherwise described in subsec-  
17 tion (b)(3)(B)) for discharges in that fiscal year, and which  
18 will assure adequate compensation for the efficient and effec-  
19 tive delivery of medically appropriate and necessary care of  
20 high quality.

21       “(5) The Secretary shall cause to have published in the  
22 Federal Register, not later than—

23               “(A) the June 1 before each fiscal year (beginning  
24 with fiscal year 1985), the Secretary’s proposed deter-  
25 mination under paragraph (4) for that fiscal year, and

1           “(B) the September 1 before such fiscal year, the  
2       Secretary’s final determination under such paragraph  
3       for that year.

4       The Secretary shall include in the publication referred to in  
5       subparagraph (A) for a fiscal year the report of the Commis-  
6       sion’s recommendations submitted under paragraph (3) for  
7       that fiscal year.

8           “(6)(A) The Commission shall consist of fifteen individ-  
9       uals selected and appointed by the Director of the Congres-  
10      sional Office of Technology Assessment (hereafter in this  
11      part referred to as the ‘Director’ and the ‘Office’, respective-  
12      ly). Such appointments shall be without regard to the provi-  
13      sions of title 5, United States Code, governing appointments  
14      in the competitive service. Members of the Commission shall  
15      be appointed no later than April 1, 1984, for a term of three  
16      years, except that the Director may provide initially for such  
17      shorter terms as will insure that (on a continuing basis) the  
18      terms of no more than seven members shall expire in any one  
19      year. Members of the Commission shall be eligible for reap-  
20      pointment for no more than two consecutive terms.

21           “(B) The membership of the Commission shall provide  
22      expertise and experience in the provision and financing of  
23      health care, including but not limited to physicians and reg-  
24      istered professional nurses, employers, third party payors,  
25      and individuals skilled in the conduct and interpretation of



1 *biomedical, health services, and health economics research.*  
2 *The Director shall seek nominations from a wide range of*  
3 *groups, including but not limited to—*

4       “(i) *national organizations representing physi-*  
5       *cians, including medical specialty organizations and*  
6       *registered professional nurses and other skilled health*  
7       *professionals;*

8       “(ii) *national organizations representing hospitals,*  
9       *including teaching hospitals; and*

10       “(iii) *national organizations representing the*  
11       *business community, health benefit programs, labor,*  
12       *and the elderly.*

13       “(C) *The Commission may employ such personnel (not*  
14       *to exceed 50) as may be necessary to carry out its duties.*  
15       *Subject to approval by the Director, the Commission shall*  
16       *appoint one of the members of its staff as Executive Director.*  
17       *The Commission is authorized to seek such assistance and*  
18       *support as may be required in the performance of its duties*  
19       *from appropriate Federal departments and agencies. Such*  
20       *assistance may include the provision of detailees, office space,*  
21       *and related services, with or without reimbursement, as*  
22       *agreed upon by the Commission and the head of the appropri-*  
23       *ate department or agency.*

24       “(D) *While serving on the business of the Commission*  
25       *(including traveltime), a member of the Commission shall be*

1 entitled to compensation at the per diem equivalent of the rate  
2 provided for level IV of the Executive Schedule under section  
3 5315 of title 5, United States Code; and while so serving  
4 away from home and his regular place of business, a member  
5 may be allowed travel expenses, including per diem in lieu of  
6 subsistence, as authorized by the Chairman of the Commis-  
7 sion.

8       “(E) The Executive Director shall be compensated at  
9 the rate provided for level IV of the Executive Schedule  
10 under section 5315 of title 5, United States Code.

11       “(F) The Executive Director shall, in accordance with  
12 such policies as the Commission may prescribe, appoint and  
13 fix the rates of compensation of such personnel as may be  
14 necessary to carry out the provisions of this part. Such rates  
15 of compensation may not exceed the level specified in subpar-  
16 agraph (E).

17       “(G) The Commission shall have the authority to—

18               “(i) enter into contracts or make other arrange-  
19 ments, as may be necessary for the conduct of the work  
20 of the Commission, with any competent personnel or  
21 organization, with or without reimbursement, without  
22 performance or other bonds, and without regard to sec-  
23 tion 3709 of the Revised Statutes (41 U.S.C. 5);

24               “(ii) make advance, progress, and other payments  
25 which relate to the work of the Commission without

1        *regard to the provisions of section 3324 of title 31,*  
2        *United States Code;*

3            *“(iii) accept services of voluntary and uncompen-*  
4        *sated personnel that are necessary for the conduct of*  
5        *the work of the Commission and provide transportation*  
6        *and subsistence as authorized by section 5703 of title*  
7        *5, United States Code, for persons serving without*  
8        *compensation;*

9            *“(iv) acquire by purchase, lease, loan, or gift, and*  
10       *hold and dispose of by sale, lease, or loan, real and*  
11       *personal property of all kinds that is necessary for, or*  
12       *results from, the exercise of authority granted by this*  
13       *part (without regard to the first section of the Act of*  
14       *March 3, 1877 (19 Stat. 370, chapter 106; 40 U.S.C.*  
15       *34)); and*

16           *“(v) prescribe such rules and regulations as it*  
17       *deems necessary with respect to the internal organiza-*  
18       *tion and operation of the Commission.*

19           *“(H) In order to identify medically appropriate patterns*  
20       *of health resources use in accordance with paragraph (2)(A),*  
21       *the Commission shall collect and assess information on medi-*  
22       *cal and surgical procedures and services, including informa-*  
23       *tion on regional variations of medical practice and lengths of*  
24       *hospitalization and on other patient-care data, giving special*  
25       *attention to treatment patterns for conditions which appear to*

1 *involve excessively costly or inappropriate services not*  
2 *adding to the quality of care provided. In order to assess the*  
3 *safety, efficiency, and cost-effectiveness of new and existing*  
4 *medical and surgical procedures, the Commission shall, in*  
5 *coordination to the extent possible with the Secretary, collect*  
6 *and assess factual information, giving special attention to the*  
7 *needs of updating existing DRG's, establishing new DRG's,*  
8 *and making recommendations on relative DRG weights to*  
9 *reflect appropriate differences in resource consumption in de-*  
10 *livering safe, efficacious, and cost-effective care. In collecting*  
11 *and assessing information, the Commission shall—*

12           “(i) *utilize existing information, both published*  
13           *and unpublished, where possible, collected and assessed*  
14           *either by its own staff or under other arrangements*  
15           *made in accordance with this part; and*

16           “(ii) *carry out, or award grants or contracts for,*  
17           *original research where existing information is inad-*  
18           *equately for the development of useful and valid guide-*  
19           *lines by the Commission.*

20           “(I) *The Commission shall have access to such relevant*  
21 *information and data as may be available from appropriate*  
22 *Federal agencies. The Commission shall maintain the confi-*  
23 *dentiality of all confidential information it receives.*



1       “(J) There shall be established a Federal Liaison Com-  
2       mittee to the Commission (hereafter in this part referred to as  
3       the ‘Committee’). The Committee shall—

4               “(1) arrange for the acquisition of information in  
5       accordance with subparagraph (I) and assure that its  
6       activities, especially the conduct of original research  
7       and medical studies, are coordinated with the activities  
8       of Federal agencies; and

9               “(2) advise the Commission with respect to the  
10      activities of Federal agencies that relate to the duties of  
11      the Commission or to particular medical procedures  
12      and services under study, or being considered for  
13      study, by the Commission.

14      The Federal Liaison Committee shall consist of delegates of  
15      those Federal agencies which can, in the judgment of the  
16      Commission, play a significant role in assisting the Commis-  
17      sion. The Administrator of the Health Care Financing Ad-  
18      ministration shall serve as the Chairman of the Committee.  
19      Members of the Committee shall serve without additional  
20      compensation. The Committee shall meet at the call of the  
21      Chairman of the Committee, or at the call of the Chairman  
22      of the Commission, but not less than six times a year.

23       “(K)(i) The Office shall report to the Congress, from  
24      time to time, on the functioning and progress of the Commis-  
25      sion and on the status of the assessment of medical proce-

1 *dures and services by the Commission. Such reports shall be*  
2 *annual for the first three years of the Commission's operation*  
3 *and bian'nual thereafter, and shall be delivered to the Con-*  
4 *gress by March 15 of each reporting year.*

5       “(ii) *The Office shall have unrestricted access to all de-*  
6 *liberations, records, and data of the Commission, immediate-*  
7 *ly upon its request.*

8       “(iii) *In order to carry out its duties under this part, the*  
9 *Office is authorized to expend reasonable and necessary*  
10 *funds as mutually agreed upon by the Office and the Com-*  
11 *mission. The Office shall be reimbursed for such funds by the*  
12 *Commission from the appropriations made with respect to the*  
13 *Commission. The Office shall carry out such duties subject*  
14 *to approval of the Technology Assessment Board, as pre-*  
15 *scribed by sections 3(d) (2) and (3) of the Technology Assess-*  
16 *ment Act of 1972 (2 U.S.C. 472(d) (2) and (3)).*

17       “(L)(i) *There are authorized to be appropriated such*  
18 *sums as may be necessary to carry out the provisions of this*  
19 *paragraph.*

20       “(ii) *Eighty-five percent of such appropriation shall be*  
21 *payable from the Federal Hospital Insurance Trust Fund,*  
22 *and 15 percent of such appropriation shall be payable from*  
23 *the Federal Supplementary Medical Insurance Trust*  
24 *Fund.”.*

1       (f) Section 1862(a)(1) of the Social Security Act is  
2 amended—

3           (1) by striking out “(B) or (C)” and inserting in  
4 lieu thereof “(B), (C), or (D)”;

5           (2) by striking out “and” at the end of subpara-  
6 graph (B);

7           (3) by striking out the semicolon at the end of  
8 subparagraph (C) and inserting in lieu thereof a  
9 comma and “and”; and

10          (4) by adding at the end thereof the following new  
11 subparagraph:

12           “(D) in the case of clinical care items and serv-  
13 ices provided with the concurrence of the Secretary and  
14 with respect to research and experimentation conducted  
15 by, or under contract with, the Prospective Payment  
16 Assessment Commission or the Secretary, which are  
17 not reasonable and necessary to carry out the purposes  
18 of section 1886(d)(6);”.

19                               CONFORMING AMENDMENTS

20       SEC. 302. (a) Sections 1814(g) and 1835(e) of the  
21 Social Security Act are each amended by inserting “(or  
22 would be if section 1886 did not apply)” after “section  
23 1861(v)(1)(D)”.

24       (b) Section 1814(h)(2) of such Act is amended by strik-  
25 ing out “the reasonable costs for such services” and inserting

1 in lieu thereof “the amount that would be payable for such  
2 services under subsection (b) and section 1886”.

3 (c)(1) The matter in section 1861(v)(1)(G)(i) of such  
4 Act following subclause (III) is amended by striking out “on  
5 the basis of the reasonable cost of” and inserting in lieu  
6 thereof “the amount otherwise payable under part A with re-  
7 spect to”.

8 (2) Section 1861(v)(2)(A) of such Act is amended by  
9 striking out “an amount equal to the reasonable cost of” and  
10 inserting in lieu thereof “the amount that would be taken into  
11 account with respect to”.

12 (3) Section 1861(v)(2)(B) of such Act is amended by  
13 striking out “the equivalent of the reasonable cost of”.

14 (4) Section 1861(v)(3) of such Act is amended by strik-  
15 ing out “the reasonable cost of such bed and board furnished  
16 in semiprivate accommodations (determined pursuant to  
17 paragraph (1))” and inserting in lieu thereof “the amount  
18 otherwise payable under this title for such bed and board fur-  
19 nished in semiprivate accommodations”.

20 (d) Section 1862(a) of such Act is amended—

21 (1) by striking out “or” at the end of paragraph  
22 (12),

23 (2) by striking out the period at the end of para-  
24 graph (13) and inserting in lieu thereof “; or”, and



(3) by adding at the end the following new paragraph:

“(14) which are other than physicians’ services (as defined in regulations) and which are furnished to an individual who is an inpatient of a hospital by an entity other than the hospital, unless the services are furnished under arrangements (as defined in section 1861(w)(1)) with the entity made by the hospital.”.

(e)(1) Section 1866(a)(1) of such Act is amended—

(A) by striking out “and” at the end of subparagraph (D),

(B) by striking out the period at the end of subparagraph (E), and

(C) by adding at the end the following new subparagraphs:

“(F) in the case of hospitals which provide inpatient hospital services for which payment may be made under subsection (c) or (d) of section 1886, to maintain an agreement with a utilization and quality control peer review organization (if there is such an organization which has a contract with the Secretary under part B of title XI for the area in which the hospital is located) under which the organization will perform functions under that part with respect to the review of the accuracy of diagnostic information on such hospi-

1     *tal's bills, the completeness and adequacy of care pro-*  
2     *vided, the appropriateness of admissions, and the ap-*  
3     *propriateness of care provided for which additional*  
4     *payments are sought under section 1886(d)(5), with re-*  
5     *spect to inpatient hospital services for which payment*  
6     *may be made under part A of this title (and for pur-*  
7     *poses of payment under this title, the cost of such*  
8     *agreement to the hospital shall be considered a cost in-*  
9     *curring by such hospital in providing inpatient services*  
10    *under part A, but shall be paid directly by the Secre-*  
11    *tary to such organization on behalf of such hospital in*  
12    *accordance with a budget approved by the Secretary),*

13         *“(G) in the case of hospitals which provide inpa-*  
14    *tient hospital services for which payment may be made*  
15    *under subsection (b) or (d) of section 1886, not to*  
16    *charge any individual or any other person for inpatient*  
17    *hospital services for which such individual would be*  
18    *entitled to have payment made under part A but for a*  
19    *denial or reduction of payments under section 1886(f),*  
20    *and*

21         *“(H) in the case of hospitals which provide inpa-*  
22    *tient hospital services for which payment may be made*  
23    *under section 1886(d), to have all items and services*  
24    *(other than physicians' services as defined in regula-*  
25    *tions) (i) that are furnished to an individual who is an*

1       inpatient of the hospital, and (ii) for which the individ-  
2       ual is entitled to have payment made under this title,  
3       furnished by the hospital or otherwise under arrange-  
4       ments (as defined in section 1861(w)(1)) made by the  
5       hospital.”.

6       (2) The matter in section 1866(a)(2)(B)(ii) of such Act  
7       preceding subclause (I) is amended by inserting “and except  
8       with respect to inpatient hospital costs with respect to which  
9       amounts are payable under section 1886(d)” after “(except  
10      with respect to emergency services)”.

11      (f) Section 1876(g) of such Act is amended by adding at  
12      the end the following:

13      “(4) A risk-sharing contract under this subsection may,  
14      at the option of an eligible organization, provide that the Sec-  
15      retary—

16              “(A) will reimburse hospitals for payment  
17      amounts determined in accordance with section 1886,  
18      as applicable, of inpatient hospital services furnished to  
19      individuals enrolled with such organization pursuant to  
20      subsection (d), and

21              “(B) will deduct the amount of such reimburse-  
22      ment for payment which would otherwise be made to  
23      such organization.”.

24      (g)(1) Section 1878(a) of such Act is amended—

1           (A) by inserting “and (except as provided in sub-  
 2       section (g)(2)) any hospital which receives payments in  
 3       amounts computed under section 1886(d) and which  
 4       has submitted such reports within such time as the  
 5       Secretary may require in order to make payment  
 6       under such section may obtain a hearing with respect  
 7       to such payment by the Board” after “subsection (h)”  
 8       in the matter before paragraph (1),

9           (B) by inserting “(i)” after “(A)” in paragraph  
 10       (1)(A),

11           (C) by inserting “or” at the end of paragraph  
 12       (1)(A) and by adding after such paragraph the follow-  
 13       ing new clause:

14                   “(ii) is dissatisfied with a final determina-  
 15       tion of the Secretary as to the amount of the pay-  
 16       ment under section 1886(d),”, and

17           (D) by striking out “(1)(A)” in paragraph (3)  
 18       and inserting in lieu thereof “(1)(A)(i), or with respect  
 19       to appeals under paragraph (1)(A)(ii), 180 days after  
 20       notice of the Secretary’s final determination,”.

21       (2)(A) The last sentence of section 1878(f)(1) of the  
 22       Social Security Act is amended by inserting “(or, in an  
 23       action brought jointly by several providers, the judicial dis-  
 24       trict in which the greatest number of such providers are locat-



1 ed) after “the judicial district in which the provider is locat-  
2 ed”.

3 (B) Section 1878(f)(1) of such Act is further amended  
4 by adding at the end thereof the following new sentence:  
5 “Any appeal to the Board or action for judicial review by  
6 providers which are under common ownership or control must  
7 be brought by such providers as a group with respect to any  
8 matter involving an issue common to such providers.”.

9 (3) Section 1878(g) of such Act is amended by inserting  
10 “(1)” after “(g)” and by adding at the end the following new  
11 paragraph:

12 “(2) The determinations and other decisions described  
13 in section 1886(d)(7) shall not be reviewed by the Board or  
14 by any court pursuant to an action brought under subsection  
15 (f) or otherwise.”.

16 (4) The third sentence of section 1878(h) of such Act is  
17 amended striking out “cost reimbursement” and inserting in  
18 lieu thereof “payment of providers of services”.

19 (h) The first sentence of section 1881(b)(2)(A) of such  
20 Act is amended by inserting “or section 1886 (if applicable)”  
21 after “section 1861(v)”.

22 (i) Section 1887(a)(1)(B) of such Act is amended by  
23 inserting “or on the bases described in section 1886” after  
24 “on a reasonable cost basis”.

1       (j) *The Secretary may, for any cost reporting period*  
2 *beginning prior to October 1, 1986, waive the requirements*  
3 *of sections 1862(a)(14) and 1866(a)(1)(H) of the Social Se-*  
4 *curity Act in the case of a hospital which has followed a*  
5 *practice of allowing direct billing under part B of title*  
6 *XVIII of such Act for services (other than physician serv-*  
7 *ices) so extensively, that immediate compliance with those*  
8 *requirements would threaten the stability of patient care. Any*  
9 *such waiver shall provide that such billing may continue to*  
10 *be made under part B but that the payments to such hospital*  
11 *under part A of such title shall be reduced by the amount of*  
12 *the billings for such services under part B. If such a waiver*  
13 *is granted, at the end of the waiver period the Secretary may*  
14 *provide for such methods of payments under part A as is*  
15 *appropriate, given the organizational structure of the institu-*  
16 *tion.*

17       *REPORTS, EXPERIMENTS, AND DEMONSTRATION*

18                               *PROJECTS*

19       *SEC. 303. (a)(1) The Secretary of Health and Human*  
20 *Services (hereinafter in this title referred to as the "Secre-*  
21 *tary") shall study and report to the Congress within 18*  
22 *months after the date of the enactment of this Act on the*  
23 *method by which capital-related costs, such as return on net*  
24 *equity, associated with inpatient hospital services can be in-*

1 *cluded within the prospective payment amounts computed*  
2 *under section 1886(d) of the Social Security Act.*

3       (2)(A) *The Secretary shall study and report annually to*  
4 *the Congress at the end of each year (beginning with 1984*  
5 *and ending with 1987) on the impact, of the payment meth-*  
6 *odology under section 1886(d) of the Social Security Act*  
7 *during the previous year, classes of hospitals, beneficiaries,*  
8 *and other payors for inpatient hospital services, and other*  
9 *providers.*

10       (B) *During fiscal year 1984, the Secretary shall begin*  
11 *the collection of data necessary to compute the amount of phy-*  
12 *sician charges attributable, by diagnosis-related groups, to*  
13 *physicians' services furnished to inpatients of hospitals whose*  
14 *discharges are classified within those groups. The Secretary*  
15 *shall include, in a report to Congress in 1985, legislative*  
16 *recommendations on the advisability and feasibility of pro-*  
17 *viding for determining the amount of the payments for physi-*  
18 *cians' services furnished to hospital inpatients based on the*  
19 *DRG classification of the discharges of those inpatients.*

20       (C) *In the annual report to Congress under subpara-*  
21 *graph (A) for 1985, the Secretary shall include the results of*  
22 *studies on—*

23               (i) *the feasibility and impact of eliminating or*  
24 *phasing out separate urban and rural DRG prospec-*

1        *tive payment rates under paragraph (3) of section*  
2        *1886(d) of the Social Security Act;*

3                *(ii) whether and the method under which hospi-*  
4        *tals, not paid based on amounts determined under such*  
5        *section, can be paid for inpatient hospital services on a*  
6        *prospective basis as under such section;*

7                *(iii) the application of severity of illness, intensity*  
8        *of care, or other modifications to the diagnosis-related*  
9        *groups, and the advisability and feasibility of provid-*  
10       *ing for such modifications; and*

11               *(iv) the feasibility and desirability of applying the*  
12       *payment methodology under such section to payment*  
13       *by all payors for inpatient hospital services.*

14        *(3) Prior to April 1, 1985, the Secretary shall complete*  
15       *a study and make legislative recommendations to the Con-*  
16       *gress with respect to an equitable method of reimbursing sole*  
17       *community hospitals which takes into account their unique*  
18       *vulnerability to substantial variations in occupancy. In addi-*  
19       *tion, the Secretary shall examine ways to coordinate an in-*  
20       *formation transfer between parts A and B, particularly with*  
21       *respect to those cases where a denial of coverage is made*  
22       *under part A, and no adjustment is made in the reimburse-*  
23       *ment to the admitting physician, or physicians. The Secre-*  
24       *tary also reports on the appropriate treatment of uncompen-*  
25       *sated care costs, and adjustments that might be appropriate*



1 *for large teaching hospitals located in rural areas. The Secre-*  
2 *tary shall also on the advisability of having hospitals make*  
3 *available information on the cost of care to patients financed*  
4 *by both public programs and private payors.*

5       (4) *The Secretary shall complete a study and make rec-*  
6 *ommendations to the Congress, before April 1, 1984, with*  
7 *respect to whether hospitals located outside of the fifty States*  
8 *and the District of Columbia should be included under a*  
9 *prospective payment system.*

10       (b)(1) *Except as provided in paragraph (2), the amend-*  
11 *ments made by this title shall not affect the authority of the*  
12 *Secretary to develop, carry out, or continue experiments and*  
13 *demonstration projects.*

14       (2) *The Secretary shall provide that, upon the request of*  
15 *a State which has a demonstration project, for payment of*  
16 *hospitals under title XVIII of the Social Security Act ap-*  
17 *proved under section 402(a) of the Social Security Amend-*  
18 *ments of 1967 or section 222(a) of the Social Security*  
19 *Amendments of 1972, which (A) is in effect as of March 1,*  
20 *1983, and (B) was entered into after August 1982, the terms*  
21 *of the demonstration agreement shall be modified so that the*  
22 *percentage by which such demonstration project is required to*  
23 *maintain the rate of increase in medicare hospital costs in*  
24 *that State below the national rate of increase in medicare*  
25 *hospital costs shall be decreased by one-half of one percentage*

1 point per contract year, beginning with the contract year be-  
2 ginning in 1983.

3 (c) The Secretary shall approve, with appropriate terms  
4 and conditions as defined by the Secretary, within 30 days  
5 after the date of enactment of this Act—

6 (1) the risk-sharing application of On Lok Senior  
7 Health Services (according to terms and conditions as  
8 specified by the Secretary), dated July 2, 1982, for  
9 waivers, pursuant to section 222 of the Social Security  
10 Amendments of 1972 and section 402(a) of the Social  
11 Security Amendments of 1967, of certain requirements  
12 of title XVIII of the Social Security Act over a period  
13 of 36 months in order to carry out a long-term care  
14 demonstration project, and

15 (2) the application of the Department of Health  
16 Services, State of California, dated November 1, 1982,  
17 pursuant to section 1115 of the Social Security Act,  
18 for the waiver of certain requirements of title XIX of  
19 such Act over a period of 36 months in order to carry  
20 out a demonstration project for capitated reimburse-  
21 ment for comprehensive long-term care services involv-  
22 ing On Lok Senior Health Services.

23 (d) The Secretary shall continue demonstrations with  
24 hospitals in areas with critical shortages of skilled nursing

1 facilities to study the feasibility of providing alternative sys-  
 2 tems of care or methods of payment.

### 3 EFFECTIVE DATES

4 SEC. 304. (a)(1) Except as provided in paragraph (2),  
 5 the amendments made by the preceding provisions of this title  
 6 apply to items and services furnished by or under arrange-  
 7 ments with a hospital beginning with its first cost reporting  
 8 period that begins on or after October 1, 1983. A change in a  
 9 hospital's cost reporting period that has been made after No-  
 10 vember 1982 shall be recognized for purposes of this section  
 11 only if the Secretary finds good cause for that change.

12 (2) Section 1866(a)(1)(F) of the Social Security Act  
 13 (as added by section 302(f)(1)(C) of this title), section  
 14 1862(a)(14) (as added by section 302(e)(3) of this title) and  
 15 sections 1886(a)(1) (G) and (H) of such Act (as added by  
 16 section 302(f)(1)(C) of this title) take effect on October 1,  
 17 1983.

18 (b) The Secretary shall make an appropriate reduction  
 19 in the payment amount under section 1886(d) of the Social  
 20 Security Act (as amended by this title) for any discharge, if  
 21 the admission has occurred before a hospital's first cost re-  
 22 porting period that begins after September 1983, to take into  
 23 account amounts payable under title XVIII of that Act (as  
 24 in effect before the date of the enactment of this Act) for items  
 25 and services furnished before that period.

1       (c)(1) *The Secretary shall cause to be published in the*  
 2 *Federal Register a notice of the interim final DRG prospec-*  
 3 *tive payment rates established under subsection (d) of section*  
 4 *1886 of the Social Security Act (as amended by this title) no*  
 5 *later than September 1, 1983, and allow for a period of*  
 6 *public comment thereon. The DRG prospective payment*  
 7 *rates shall become effective on October 1, 1983, without the*  
 8 *necessity for consideration of comments received, but the Sec-*  
 9 *retary shall, by notice published in the Federal Register,*  
 10 *affirm or modify the amounts by December 31, 1983, after*  
 11 *considering those comments.*

12       (2) *A modification under paragraph (1) that reduces a*  
 13 *DRG prospective payment rate shall apply only to discharges*  
 14 *occurring after 30 days after the date the notice of the modifi-*  
 15 *cation is published in the Federal Register.*

16       (3) *Rules to implement subsection (d) of section 1886 of*  
 17 *the Social Security Act (as so amended) shall, and excep-*  
 18 *tions, adjustments, or additional payment amounts under*  
 19 *paragraph (5) of such subsection may, be established in ac-*  
 20 *cordance with the procedure described in this subsection.*

21       **DELAY IN PROVISION RELATING TO HOSPITAL-BASED**  
 22               **SKILLED NURSING FACILITIES**

23       **SEC. 305.** (a) *Section 102 of the Tax Equity and*  
 24 *Fiscal Responsibility Act of 1982 is amended by striking out*



1 "October 1, 1982" and inserting in lieu thereof "October 1,  
2 1983".

3 (b) The Secretary of Health and Human Services shall,  
4 prior to December 31, 1983, complete a study and report to  
5 the Congress, with respect to the effect which the implementa-  
6 tion of section 102 of the Tax Equity and Fiscal Responsi-  
7 bility Act of 1982 would have on hospital-based skilled nurs-  
8 ing facilities, given the differences (if any) in the patient  
9 populations served by such facilities and by community-  
10 based skilled nursing facilities.

11 SHIFT IN PART B PREMIUM TO COINCIDE WITH COST-OF-  
12 LIVING INCREASE

13 SEC. 306. (a) Section 1839 of the Social Security Act  
14 is amended by striking out subsections (a), (b), and (c) and  
15 inserting in lieu thereof the following:

16 "(a)(1) The Secretary shall, during October of 1983 and  
17 of each year thereafter, determine the monthly actuarial rate  
18 for enrollees who have attained retirement age (as defined in  
19 section 216(a)) which shall be applicable for the succeeding  
20 calendar year. Such actuarial rate shall be the amount the  
21 Secretary estimates to be necessary so that the aggregate  
22 amount for such calendar year with respect to those enrollees  
23 who have attained retirement age will equal one-half of the  
24 total of the benefits and administrative costs which he esti-  
25 mates will be payable from the Federal Supplementary

1 *Medical Insurance Trust Fund for services performed and*  
2 *related administrative costs incurred in such calendar year*  
3 *with respect to such enrollees. In calculating the monthly ac-*  
4 *tuarial rate, the Secretary shall include an appropriate*  
5 *amount for a contingency margin.*

6       “(2) *The monthly premium of each individual enrolled*  
7 *under this part for each month after December 1983 shall,*  
8 *except as provided in subsections (b) and (e), be the amount*  
9 *determined under paragraph (3).*

10       “(3) *The Secretary shall, during October of 1983 and*  
11 *of each year thereafter, determine and promulgate the month-*  
12 *ly premium applicable for individuals enrolled under this*  
13 *part for the succeeding calendar year. The monthly premium*  
14 *shall (except as otherwise provided in subsection (e)) be equal*  
15 *to the smaller of—*

16               “(A) *the monthly actuarial rate for enrollees who*  
17 *have attained retirement age, determined according to*  
18 *paragraph (1) of this subsection, for that calendar*  
19 *year, or*

20               “(B) *the monthly premium rate most recently pro-*  
21 *mulgated by the Secretary under this paragraph, in-*  
22 *creased by a percentage determined as follows: The Sec-*  
23 *retary shall ascertain the primary insurance amount*  
24 *computed under section 215(a)(1), based upon average*  
25 *indexed monthly earnings of \$900, that applied to in-*

1        *dividuals who became eligible for and entitled to old-*  
2        *age insurance benefits for December of the year preced-*  
3        *ing the promulgation. He shall increase the monthly*  
4        *premium rate by the same percentage by which that*  
5        *primary insurance amount is increased when, by*  
6        *reason of the law in effect at the time the promulgation*  
7        *is made, it is so computed to apply to those individuals*  
8        *for the following December.*

9        *Whenever the Secretary promulgates the dollar amount*  
10       *which shall be applicable as the monthly premium for any*  
11       *period, he shall, at the time such promulgation is announced,*  
12       *issue a public statement setting forth the actuarial assump-*  
13       *tions and bases employed by him in arriving at the amount of*  
14       *an adequate actuarial rate for enrollees who have attained*  
15       *retirement age as provided in paragraph (1) and the deriva-*  
16       *tion of the dollar amounts specified in this paragraph.*

17       *“(4) The Secretary shall also, during October of 1983*  
18       *and of each year thereafter, determine the monthly actuarial*  
19       *rate for disabled enrollees who have not attained retirement*  
20       *age which shall be applicable for the succeeding calendar*  
21       *year. Such actuarial rate shall be the amount the Secretary*  
22       *estimates to be necessary so that the aggregate amount for*  
23       *such calendar year with respect to disabled enrollees who*  
24       *have not attained retirement age will equal one-half of the*  
25       *total of the benefits and administrative costs which he esti-*

1 mates will be payable from the Federal Supplementary  
2 Medical Insurance Trust Fund for services performed and  
3 related administrative costs incurred in such calendar year  
4 with respect to such enrollees. In calculating the monthly ac-  
5 tual rate under this paragraph, the Secretary shall include  
6 an appropriate amount for a contingency margin.”.

7 (2) Subsections (d), (e), (f), and (g) of section 1839 of  
8 such Act are redesignated as subsections (b), (c), (d), and (e),  
9 respectively.

10 (3) (A) Section 1839(b) of such Act (as so redesignated)  
11 is amended by striking out “subsection (b), (c), or (g)” and  
12 inserting in lieu thereof “subsection (a) or (e)”.

13 (B) Section 1839(d) of such Act (as so redesignated) is  
14 amended by striking out “purposes of subsection (c)” and  
15 inserting in lieu thereof “purposes of subsection (b)”.

16 (C) Section 1839(e) of such Act (as so redesignated) is  
17 amended by striking out “subsection (c)” and “subsection  
18 (c)(1)” and by inserting in lieu thereof “subsection (a)” and  
19 “subsection (a)(1)”, respectively.

20 (D) Section 1818(c) of such Act is amended by striking  
21 out “subsection (c) of section 1839” and inserting in lieu  
22 thereof “subsection (a) of section 1839”.

23 (E) Section 1843(d)(1) of such Act is amended by  
24 striking out “without any increase under subsection (c) there-



1 of” and inserting in lieu thereof “without any increase under  
2 subsection (b) thereof”.

3 (F) Section 1844(a)(1)(A)(i) of such Act is amended—

4 (i) by striking out “1839(c)(1)” and inserting in  
5 lieu thereof “1839(a)(1)”; and

6 (ii) by striking out “1839(c)(3) or 1839(g)” and  
7 inserting in lieu thereof “1839(a)(3) or 1839(e)”.

8 (G) Section 1844(a)(1)(B)(i) of such Act is amended—

9 (i) by striking out “1839(c)(4)” and inserting in  
10 lieu thereof “1839(a)(4)”; and

11 (ii) by striking out “1839(c)(3) or 1839(g)” and  
12 inserting in lieu thereof “1839(a)(3) or 1839(e)”.

13 (H) Section 1876(a)(5) of such Act is amended—

14 (i) in subparagraph (A)(ii), by striking out  
15 “1839(c)(1)” and inserting in lieu thereof  
16 “1839(a)(1)”; and

17 (ii) in subparagraph (B)(ii), by striking out  
18 “1839(c)(4)” and inserting in lieu thereof  
19 “1839(a)(4)”.

20 (4) The amendments made by this subsection shall  
21 apply with respect to premiums payable for January 1984  
22 and each month thereafter.

23 (5) The monthly premium amount under section 1839  
24 of the Social Security Act for the months of July through  
25 December of 1983 shall be equal to the monthly premium

1 *amount as determined under such section (as in effect prior*  
 2 *to the amendments made by this section) for June 1983.*

3 *SHIFT IN VOLUNTARY PART A PREMIUM TO COINCIDE*  
 4 *WITH COST-OF-LIVING INCREASES*

5 *SEC. 307. (a) Section 1818(d)(2) of the Social Secu-*  
 6 *rity Act is amended—*

7 *(1) by striking out “during the last calendar*  
 8 *quarter of each year, beginning in 1973,” in the first*  
 9 *sentence and inserting in lieu thereof “during the next*  
 10 *to last calendar quarter of each year”;*

11 *(2) by striking out “the 12-month period com-*  
 12 *mencing July 1 of the next year” in the first sentence*  
 13 *and inserting in lieu thereof “the following calendar*  
 14 *year”; and*

15 *(3) by striking out “for such next year” in the*  
 16 *second sentence and inserting in lieu thereof “for that*  
 17 *following calendar year”.*

18 *(b) The amendments made by this section shall apply to*  
 19 *premiums for months beginning with January 1984, and for*  
 20 *months after June 1983 and before January 1984, the*  
 21 *monthly premium under part A of title XVIII of the Social*  
 22 *Security Act for individuals enrolled under each respective*  
 23 *part shall be the monthly premium under that part for the*  
 24 *month of June 1983.*

1 *TITLE IV—UNEMPLOYMENT COMPENSATION*  
 2 *PROVISIONS*

3 *PART A—FEDERAL SUPPLEMENTAL COMPENSATION*

4 *EXTENSION OF PROGRAM*

5 *SEC. 401. (a) Paragraph (2) of section 602(f) of the*  
 6 *Federal Supplemental Compensation Act of 1982 is amend-*  
 7 *ed by striking out “March 31, 1983” and inserting in lieu*  
 8 *thereof “September 30, 1983”.*

9 *(b) Section 605(2) of such Act is amended by striking*  
 10 *out “April 1, 1983” and inserting in lieu thereof “October 1,*  
 11 *1983”.*

12 *NUMBER OF WEEKS FOR WHICH COMPENSATION PAYABLE*

13 *SEC. 402. (a) Subsection (e) of section 602 of the Fed-*  
 14 *eral Supplemental Compensation Act of 1982 is amended by*  
 15 *redesignating paragraph (3) as paragraph (4) and by strik-*  
 16 *ing out paragraph (2) and inserting in lieu thereof the follow-*  
 17 *ing new paragraphs:*

18 *“(2)(A) In the case of any account from which Federal*  
 19 *supplemental compensation was first payable to an individu-*  
 20 *al for a week beginning after March 31, 1983, the amount*  
 21 *established in such account shall be equal to the lesser of—*

22 *“(i) 65 per centum of the total amount of regular*  
 23 *compensation (including dependents’ allowances) pay-*  
 24 *able to the individual with respect to the benefit year*  
 25 *(as determined under the State law) on the basis of*

1      *which he most recently received regular compensation,*  
2      *or*

3                   “(ii) the applicable limit determined under the fol-  
4                   lowing table times his average weekly benefit amount  
5                   for his benefit year,

*"In the case of weeks during a:*

***The applicable  
limit is:***

6-percent period.....	14
5-percent period.....	12
4-percent period.....	10
Low-unemployment period.....	8

6       “(B) Notwithstanding the provisions of clause (ii) of  
7 subparagraph (A), the applicable limit under such clause  
8 shall not be lower than 4 less than the number of weeks appli-  
9 cable to such State under this paragraph as in effect for the  
10 week beginning March 27, 1983, to the amendments made by  
11 the Social Security Amendments of 1983.

12       “(C) In the case of any account from which Federal  
13 supplemental compensation was payable to an individual for  
14 a week beginning before April 1, 1983, the amount estab-  
15 lished in such account shall be equal to the lesser of the sub-  
16 paragraph (A) entitlement or the sum of—

17           “(i) the subparagraph (A) entitlement reduced  
18           (but not below zero) by the aggregate amount of Feder-  
19           al supplemental compensation paid to such individual  
20           for weeks beginning before April 1, 1983, plus

21 “(ii) such individual’s additional entitlement.



1       “(D) For purposes of subparagraph (C) and this sub-  
2 paragraph—

3               “(i) The term ‘subparagraph (A) entitlement’  
4 means the amount which would have been established  
5 in the account if subparagraph (A) had applied to such  
6 account.

7               “(ii) The term ‘additional entitlement’ means the  
8 applicable limit determined under the following table  
9 times the individual’s average weekly benefit amount  
10 for his benefit year.

“In the case of  
weeks during a:

	The applicable limit is:
6-percent period.....	8
5-percent period.....	6
4-percent period.....	4
Low-employment period .....	4

11       “(D) Except as provided in subparagraph (C)(i), for  
12 purposes of determining the amount of Federal supplemental  
13 compensation payable for weeks beginning after March 31,  
14 1983, from an account described in subparagraph (C), no  
15 reduction in such account shall be made by reason of any  
16 Federal supplemental compensation paid to the individual for  
17 weeks beginning before April 1, 1983.

18       “(3)(A) For purposes of this subsection, the terms ‘6-  
19 percent period’, ‘5-percent period’, ‘4-percent period’, and  
20 ‘low-unemployment period’ mean, with respect to any State,  
21 the period which—

1           “(i) begins with the 3d week after the 1st week in  
2           which the rate of insured unemployment in the State  
3           for the period consisting of such week and the immedi-  
4           ately preceding 12 weeks falls in the applicable range,  
5           and

6           “(ii) ends with the 3d week after the 1st week in  
7           which the rate of insured unemployment for the period  
8           consisting of such week and the immediately preceding  
9           12 weeks does not fall within the applicable range.

10          “(B) For purposes of subparagraph (A), the applicable  
11          range is as follows:

<i>“In the case of a:</i>	<i>The applicable range is:</i>
6-percent period.....	A rate equal to or exceeding 6 percent.
5-percent period.....	A rate equal to or exceeding 5 percent but less than 6 percent.
4-percent period.....	A rate equal to or exceeding 4 percent but less than 5 percent.
Low-employment period .....	A rate less than 4 percent.

12          “(C) No 6-percent period, 5-percent period, or 4-percent  
13          period, as the case may be, shall last for a period of less than  
14          4 weeks unless the State enters a period with a higher per-  
15          centage designation.

16          “(D) For purposes of this subsection—

17               “(i) The rate of insured unemployment for any  
18               period shall be determined in the same manner as de-  
19               termined for purposes of section 203 of the Federal-  
20               State Extended Unemployment Compensation Act of  
21               1970.

1           “(ii) The amount of an individual’s average  
2       weekly benefit amount shall be determined in the same  
3       manner as determined for purposes of section  
4       202(b)(1)(C) of such Act.”.

5       (b)(1) Section 602(f)(2) of such Act is amended by in-  
6       serting before the period at the end thereof the following: “;  
7       except that in the case of any individual who received such  
8       compensation for the week preceding the last week beginning  
9       after such date, such compensation shall be payable to such  
10      individual for weeks beginning after such date, but the total  
11      amount of such compensation payable for such weeks shall be  
12      limited to 50 percent of the total amount which would other-  
13      wise be payable for such weeks”.

14      (2) Section 605(2) of such Act is amended by inserting  
15      before the semicolon the following: “(except as otherwise pro-  
16      vided in section 602(f)(2))”.

17      (c)(1) Section 602(b)(1) of such Act is amended by  
18      striking out “and” at the end of subparagraph (B), adding  
19      “and” at the end of subparagraph (C), and inserting after  
20      subparagraph (C) the following:

21           “(D) had at least 26 weeks of full-time insured  
22      employment, during his base period or the equivalent  
23      in insured wages during his base period (as determined  
24      using a methodology equivalent to that used under sec-

tion 202(a)(5) of the Federal-State Extended Unemployment Compensation Act of 1970);”.

3       (2) *The amendment made by paragraph (1) shall apply*  
4 *only to individuals who first became eligible for Federal sup-*  
5 *plemental compensation for weeks beginning on or after April*  
6 *1, 1983.*

7 (d) Paragraph (3) of section 602(d) of the Federal Sup-  
8 plemental Compensation Act of 1982 (as amended by section  
9 544(d) of the Highway Revenue Act of 1982) is amended by  
10 striking out “subsection (e)(2)(A)(ii)” and inserting in lieu  
11 thereof “subparagraph (A)(ii) or (C)(ii)(II) of subsection  
12 (e)(2)”.

13 *EFFECTIVE DATE*

14 SEC. 403. (a) *The amendments made by this part shall*  
15 *apply to weeks beginning after March 31, 1983.*

16 (b) *In the case of any eligible individual—*

17                   (1) to whom any Federal supplemental compensa-  
18                   tion was payable for any week beginning before April  
19                   1, 1983, and

(2) who exhausted his rights to such compensation  
(by reason of the payment of all the amount in his  
Federal supplemental compensation account) before the  
first week beginning after March 31, 1983,

24 *such individual's eligibility for additional weeks of compen-*  
25 *sation by reason of the amendments made by this part shall*



1 not be limited or terminated by reason of any event, or fail-  
2 ure to meet any requirement of law relating to eligibility for  
3 unemployment compensation, occurring after the date of such  
4 exhaustion of rights and before April 1, 1983 (and the period  
5 after such exhaustion and before April 1, 1983, shall not be  
6 counted for purposes of determining the expiration of the two  
7 years following the end of his benefit year for purposes of  
8 section 602(b) of the Federal Supplemental Compensation  
9 Act of 1982).

10 (c) The Secretary of Labor shall, at the earliest practi-  
11 cable date after the date of the enactment of this Act, propose  
12 to each State with which he has in effect an agreement under  
13 section 602 of the Federal Supplemental Compensation Act  
14 of 1982 a modification of such agreement designed to provide  
15 for the payment of Federal supplemental compensation under  
16 such Act in accordance with the amendments made by this  
17 part. Notwithstanding any other provision of law, if any  
18 State fails or refuses, within the 3-week period beginning on  
19 the date the Secretary of Labor proposed such a modification  
20 to such State, to enter into such a modification of such agree-  
21 ment, the Secretary of Labor shall terminate such agreement  
22 effective with the end of the last week which ends on or before  
23 such 3-week period.

1     *PART B—PROVISIONS RELATING TO INTEREST AND*  
2                     *CREDIT REDUCTIONS*

3                     *DEFERRAL OF INTEREST*

4         *SEC. 411. (a) Section 1202(b) of the Social Security*  
5 *Act is amended by adding at the end thereof the following*  
6 *new paragraph:*

7             *“(8)(A) With respect to interest due under this section*  
8 *for any year after December 31, 1982, and before January 1,*  
9 *1986, a State may pay 80 percent of such interest in four*  
10 *annual installments of at least 20 percent beginning with the*  
11 *year after the year in which it is otherwise due, if such State*  
12 *meets the criteria of subparagraph (B). Interest shall accrue*  
13 *on such deferred interest in the same manner as under para-*  
14 *graph (3)(C).*

15             *“(B) To meet the criteria of this subparagraph a State*  
16 *must—*

17                 *“(i) have taken no action since October 1, 1982,*  
18 *which would reduce its net unemployment tax effort or*  
19 *the net solvency of its unemployment system (as deter-*  
20 *mined for purposes of section 3302(f) of the Internal*  
21 *Revenue Code of 1954); and*

22                 *“(ii) have taken an action (as certified by the*  
23 *Secretary of Labor) after October 1, 1982, which will*  
24 *increase revenues and decrease benefits under the*  
25 *State’s unemployment compensation system (herein-*

1 after referred to as a 'solvency effort') by a combined  
2 total of the applicable percentage (as compared to such  
3 revenues and benefits as they would have been in effect  
4 without such State action).

5 In the case of the first year for which there is a deferral (over  
6 a 4-year period) of the interest otherwise payable for such  
7 year, the applicable percentage shall be 30 percent. In the  
8 case of the second such year, the applicable percentage shall  
9 be 40 percent. In the case of the third such year, the applica-  
10 ble percentage shall be 50 percent.

11 "(C)(i) The base year is the first year for which deferral  
12 under this provision is granted. The Secretary of Labor shall  
13 estimate the unemployment rate for the base year. To deter-  
14 mine whether a State meets the requirements of subpara-  
15 graph (B)(ii), the Secretary of Labor shall determine the per-  
16 centage by which the benefits and taxes in the base year with  
17 the application of the action referred to in subparagraph  
18 (B)(ii) are lower or greater, as the case may be, than such  
19 benefits and taxes would have been without the application of  
20 such action. In making this determination, the Secretary  
21 shall deem the application of the action referred to in subpar-  
22 agraph (B)(ii) to have been effective for the base year to the  
23 same extent as such action is effective for the year following  
24 the base year. Once a deferral is approved a State must con-  
25 tinue to maintain its solvency effort. Failure to do so shall

1 *result in the State being required to make immediate pay-*  
 2 *ment of all deferred interest.*

3       “(ii) *Increases in the taxable wage base from \$6,000 to*  
 4 *\$7,000 or increases after 1984 in the maximum tax rate to*  
 5 *5.4 percent shall not be counted for purposes of meeting the*  
 6 *requirement of subparagraph (B).*

7       “(D) *In the case of a State which produces a solvency*  
 8 *effort of 50 percent, 80 percent, and 90 percent rather than*  
 9 *the 30 percent, 40 percent, 50 percent required under subpar-*  
 10 *agraph (B), the deferred interest shall be computed at an in-*  
 11 *terest rate which is 1 percentage point less than the otherwise*  
 12 *applicable interest rate.”.*

13       (b) *Section 1202(b)(7) of such Act is amended by strik-*  
 14 *ing out “, and before January 1, 1988”.*

15                                   *CAP ON CREDIT REDUCTION*

16       *SEC. 412. (a)(1) Section 3302(f) of the Internal Reve-*  
 17 *nue Code of 1954 is amended by adding at the end thereof*  
 18 *the following new paragraph:*

19                                   “(8) *PARTIAL LIMITATION.—*

20                                   “(A) *In the case of a State which would*  
 21 *meet the requirements of this subsection for a tax-*  
 22 *able year prior to 1987 but for its failure to meet*  
 23 *one of the requirements contained in subpara-*  
 24 *graph (C) or (D) of paragraph (2), the reduction*  
 25 *under subsection (c)(2) in credits otherwise appli-*



1        *cable to taxpayers in such State for such taxable*  
2        *year and each subsequent year (in a period of*  
3        *consecutive years for each of which a credit reduc-*  
4        *tion is in effect for taxpayers in such State) shall*  
5        *be reduced by 0.1 percentage point.*

6                *“(B) In the case of a State described in sub-*  
7        *paragraph (A) which also meets the requirements*  
8        *of section 1202(b)(8)(B) with respect to such tax-*  
9        *able year, the reduction under subsection (c)(2) in*  
10       *credits otherwise applicable to taxpayers in such*  
11       *State for such taxable year and each subsequent*  
12       *year (in a period of consecutive years for each of*  
13       *which a credit reduction is in effect for taxpayers*  
14       *in such State) shall be further reduced by an ad-*  
15       *ditional 0.1 percentage point.”.*

16        *(2) The amendment made by paragraph (1) shall apply*  
17       *with respect to taxable year 1983 and taxable years thereaf-*  
18       *ter.*

19        *(b) Section 3302(f)(1) of such Code is amended by*  
20       *striking out “beginning before January 1, 1988,”.*

21                **AVERAGE EMPLOYER CONTRIBUTION RATE**

22        *SEC. 413. (a) Section 3302(d)(4)(B) of the Internal*  
23       *Revenue Code of 1954 is amended by striking out “the total*  
24       *of the remuneration subject to contributions under the State*  
25       *unemployment compensation law” and inserting in lieu*

1 thereof "the total of the wages attributable to such State sub-  
2 ject to taxation under this chapter".

3 (b) Sections 3302(c)(2)(B)(i) and 3302(c)(4) of such  
4 Code are each amended by striking out "2.7" and inserting  
5 in lieu thereof "2.7 multiplied by the ratio of the wage base  
6 under this chapter divided by the estimated average annual  
7 wage in covered employment for the calendar year in which  
8 the determination is to be made".

9 (c) The amendments made by this section shall be effec-  
10 tive for taxable year 1984 and taxable years thereafter.

11 *DATE FOR PAYMENT OF INTEREST*

12 *SEC. 414. Section 1202(b)(3)(A) of the Social Security*  
13 *Act is amended by striking out "not later than" and insert-*  
14 *ing in lieu thereof "prior to".*

15 *RECOUPMENT OF INTEREST*

16 *SEC. 415. Section 3302 of the Internal Revenue Code*  
17 *of 1954 is amended by adding at the end thereof the following*  
18 *new subsection:*

19 *"(h) RECOUPMENT OF OVERDUE INTEREST.—*

20 *"(1) In addition to any other reduction required*  
21 *under this section, if any accrued interest under sec-*  
22 *tion 1202(b) of the Social Security Act has not been*  
23 *paid by a State within one year after the date such*  
24 *payment is otherwise required to be paid, then the total*  
25 *credits (after applying any other provisions of this sec-*

tion) otherwise allowable under this section for the following taxable year, in the case of a taxpayer subject to the unemployment compensation law of such State, shall be reduced by an amount equal to 0.1 percent of the amount of the wages paid by such taxpayer during such taxable year which are attributable to such State.

“(2) Any increase in the amount of tax paid by reason of paragraph (1) shall be first applied as a payment of such overdue interest, and any remainder shall be applied as a repayment of principal under section 1202(b) of the Social Security Act.”.

#### PART C—MISCELLANEOUS PROVISIONS

##### TREATMENT OF EMPLOYEES PROVIDING SERVICES TO EDUCATIONAL INSTITUTIONS

SEC. 421. (a)(1) Section 3306(a)(6)(A) of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new clause:

“(v) with respect to services to which section 3309(a)(1) applies, if such services are provided to or on behalf of an educational institution, compensation shall be denied in the same manner as if such services were performed directly for an educational institution, and”.

1       (2) *Clauses (ii)(I), (iii), and (iv) of such section are*  
 2 *each amended by striking out "may be denied" and inserting*  
 3 *in lieu thereof "shall be denied".*

4       (b)(1) *Except as provided in paragraph (2), the amend-*  
 5 *ments made by this section shall apply in the case of compen-*  
 6 *sation paid for weeks beginning on or after April 1, 1984.*

7       (2) *In the case of a State with respect to which the*  
 8 *Secretary of Labor has determined that State legislation is*  
 9 *required in order to comply with the amendment made by this*  
 10 *section, the amendment made by this section shall apply in*  
 11 *the case of compensation paid for weeks which begin on or*  
 12 *after April 1, 1984, and after the end of the first session of*  
 13 *the State legislature which begins after the date of the enact-*  
 14 *ment of this Act, or which began prior to the date of the*  
 15 *enactment of this Act and remained in session for at least*  
 16 *twenty-five calendar days after such date of enactment. For*  
 17 *purposes of the preceding sentence, the term "session" means*  
 18 *a regular, special, budget, or other session of a State legisla-*  
 19 *ture.*

20       *EXTENDED BENEFITS FOR INDIVIDUALS WHO ARE*

21       *HOSPITALIZED OR ON JURY DUTY*

22       *SEC. 422. (a) Clause (ii) of paragraph (3)(A) of section*  
 23 *202(a) of the Federal-State Extended Unemployment Com-*  
 24 *pensation Act of 1970 is amended to read as follows:*



1           “(ii) during which he fails to actively engage in  
2       seeking work, unless such individual is not actively en-  
3       gaged in seeking work because such individual is, as  
4       determined in accordance with State law—

5           “(I) before any court of the United States or  
6       any State pursuant to a lawfully issued summons  
7       to appear for jury duty (as such term may be de-  
8       fined by the Secretary of Labor), or

9           “(II) hospitalized for treatment of an emer-  
10      gency or a life-threatening condition (as such term  
11      may be defined by such Secretary),

12 if such exemptions in clauses (I) and (II) apply to recipients  
13 of regular benefits, and the State chooses to apply such ex-  
14 emptions for recipients of extended benefits; or”.

15       (b) The amendment made by this section shall become  
16 effective on the date of the enactment of this Act.



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Amendment No. 516

H. R. 1900